Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rlm4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,367 — Tuesday October 20 1987 — D 8523 A

United Nations: How Moscow came in from the cold, Page 19

World News — Business Summary

Language row brings Martens resignation

King Baudouin accepted the resignation of Belgian Prime Minister Wilfried Martens' coalition Government over a language row - then asked him to form a caretaker government.

The King also asked Martens to draft a list of constitutional reforms to defuse linguistic strife between Belgium's 5.5m Dutch and 4.5m French-speakers.

Martens was expected to form again a centre-right alliance which would prepare the outlines for reforms and carry on routine business before calling elections either in mid-December or mid-January. Page 20

Indians penetrate Tigers stronghold

Indian troops met stiff resistance but advanced slowly into the centre of Jaffna city, stronghold of the Liberation Tigers of Tamil Eelam in northern Sri Lanka.

In eastern Sri Lanka at least 40 Tamil refugees were killed when guerrillas accidentally exploded a landmine under a bus. Page 20

EC reforms impasse

EC member states drifted apart in their efforts to agree on a radical overhaul of their future finances, making the prospect of any deal by the December summit deadline increasingly unlikely. Page 20

Swedish minister quits

Swedish Justice Minister Sten Wickbom resigned, saying he took full responsibility for a series of mistakes which led to the escape of a Soviet spy from under the noses of the security services. Page 2

New Zealand sanctions

New Zealand imposed sanctions against Fiji in response to its change of status to a republic, ending all military co-operation and cutting economic aid. Page 4

Vatican deficit talks

Cardinals met to seek ways of reducing the Vatican's deficit - expected to reach a record $63m this year - and church sources said they might propose making the Roman Catholic Church's budget public for the first time.

Yugoslav tax plea

Prime Minister Branko Mikulic called for higher taxes, wage and price restraints and easier debt repayments to rein in Yugoslavia's 123 per cent inflation and $20bn foreign debt. Page 2

Cereal stocks warning

Cereal stocks in developing countries would plunge to the lowest levels in a decade this year because of bad weather in Asia and Africa, the UN Food and Agriculture Organisation warned.

Train crash kills 100

More than 100 people were killed and 305 injured when two crowded Indonesian commuter trains crashed head-on in Jakarta, apparently after a signals fault.

Sudan prices demo

About 10,000 people marched through Khartoum in protest against price increases and devaluation of the Sudanese pound.

Unesco criticism

Spanish newspapers attacked the Government for failing to support Federico Mayor's campaign to become Unesco director-general and congratulated him on winning nomination over the weekend. Britain to stay out, Page 13

Home-brew headache

A sharp rise in Soviet sugar consumption since the start of the Kremlin's anti-alcohol drive in May 1985 indicated home-brewing was costing the state 20bn roubles ($32bn) a year in lost vodka sales, Pravda said. Soviet economy, Page 2

Unisys income soars by 145%

UNISYS, computer company forged last year by the merger of Burroughs and Sperry, an increase of 145 per cent in net income in the third quarter to $129.7m. Page 21

LEADING US bank groups, including JP Morgan and Security Pacific, reported modestly higher earnings yesterday. Page 21

AMERICAN Telephone & Telegraph, largest US telecommunications group, reported a modest decline in net income in the third quarter to $505m or 47 cents a share from $533m or 48 cents a share in the 1986 third quarter. Page 21.

AT&T and Philips of the Netherlands' joint telecommunications venture is forecasting a big increase in turnover next year, following a spate of new orders. Page 23.

RORER, ambitious US pharmaceuticals company, received approval from Washington to distribute a new drug which could reduce the spread of AIDS to haemophiliacs. Page 21

GOLD rose $16.25 on the London bullion market to close at $481.50. In Zurich it rose $15.25 to $482.50. Page 28

DOLLAR closed in New York at DM1.7735; SFr1.4730; FFr5.9225; and Y141.35. It fell in London to DM1.7770 (DM1.8010); to SFr1.4760 (SFr1.4935); to FFr5.9375 (FFr6.0150); and to Y141.70 (Y142.75). On Bank of England figures the dollar's exchange rate index fell 0.11 to 99.1. Page 29

STERLING closed in New York at $1.6855. It rose in London to $1.6805 ($1.5105); and to Y238.00 (Y237.50); but fell to DM2.9850 (DM2.9950); to FFr9.9775 (FFr10.0050); and to SFr2.48 (SFr2.4850). The pound's exchange rate index rose 0.2 to 73.8. Page 29

RENAULT, French state-owned car group, has launched a strategic reorganisation of its Spanish and Portuguese operations to preserve its strong position in these markets as competition intensifies with the integration of the two countries into the European Community. Page 23

FERMENTA, Sweden's scandal-ridden antibiotics and chemicals group, reported losses after financial items of SKr83m ($13m) for the first eight months, on sales of SKr2.2bn, and forecast full-year losses of up to SKr140m after financial items. Page 23

TRAFALGAR HOUSE, UK shipping, property and building combine, has bought Capital Homes, US homes builder, for $20m in cash. Page 26

PUMA, West German sportswear manufacturer, said it posted a 1987 first-half group loss of about DM14m ($7.7m), of which the largest portion was in the US. Page 23

PROMET, Malaysia-Singapore oil rig and construction group, reported 1986 profits after tax and extraordinary items of 1.4m ringgit (US$555,000) compared with a previous loss of 114m ringgit.

FINANCIAL CORPORATION of America, troubled leader of the US savings and loan industry, slid steeply back into the red for the third quarter as sales of loans and mortgage-backed securities, its life-preserver over the past two years, fell away. Page 21

ASEA BROWN BOVERI, electrical engineering group which is in the process of being formed by merging Asea of Sweden and BBC Brown Boveri of Switzerland, is to be organised into four main business areas. Page 21

ALUMINUM COMPANY of America, largest US aluminium producer, more than trebled its net earnings in the third quarter, reflecting higher prices for and shipments of aluminium compared to a year ago when operations were depressed by a strike by 15,000 workers. Page 21

World equity markets succumb to widespread fears of recession as sellers take control

Record falls on Wall Street trigger worldwide slide

BY ANATOLE KALETSKY AND RODERICK ORAM IN NEW YORK AND JANET BUSH IN LONDON

THE LONG-FEARED stockmarket crash of the late 1980s became an accomplished fact yesterday, as share prices collapsed on Wall Street in a wave of selling unlike anything seen since the 1930s.

The collapse in confidence on Wall Street spilled over into Japanese and European equity markets yesterday producing some of the worst daily share price falls on record.

Panic selling hit bourses throughout Europe, testing stock exchange systems to the limit and leaving dealers wondering how their markets could find any insulation from Wall Street's disastrous performance.

The London Stock exchange suffered its worst fall for over 12 years. In Frankfurt the Commerzbank index registered its largest daily fall ever. Only the Japanese stock market showed any resilience in the face of events on Wall Street.

At the close of New York trading the Dow Jones Industrial Average had plummetted 508.32 points to 1,738.74 in an unprecedented flood of sell orders which broke effortlessly through every bear-market record set since the Great Depression.

The Dow's percentage fall of 22.62 per cent was nearly four times the previous postwar one-day record of 5.7 per cent, set in the early 1960s, and beat the collapse of 12.8 per cent recorded on October 28 1929 - the day of Wall Street's Great Crash.

The widespread selling intensified when the US announced its forces had destroyed an Iranian oil platform in retaliation for a recent Iranian attack on a US-flagged Kuwait oil tanker.

The news gave another boost to an already strongly rising gold price, which leapt to a peak of $490 an ounce, its highest level for 4½ years.

- France's small shareholders told to sit tight, Page 2
- Lex, Page 20
- BP shares fall below offer price, Page 21
- Oil and gold prices soar, Page 28
- Money markets, Page 29
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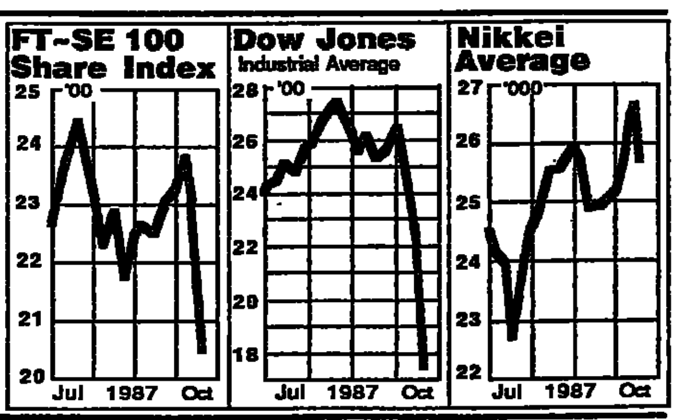
- Frayed nerves and tested technology, Page 40
- Reports from world markets, Page 40



At the New York Stock Exchange traders worked frantically to keep up with the millions of sell orders flooding Wall Street.

"It is absolutely wild," said Mr Rhett Dupont Jr, a New York Stock Exchange official. New York Stock Exchange Vice-President Richard Torrenzano said: "We just can't make the tape run any faster because you wouldn't be able to read it."

At the close 603m shares had changed hands on the NYSE, surpassing easily the previous record of 338m shares, which was set only last Friday. "Technically, this is 1929. It may not be of the same magnitude but this thing is very similar to 1929," said Mr George Soros, president of Soros Fund Management, and one of the most successful investors in New York. "Hopefully, we will not now have a replay of 1930 to 1932," he added.

Traders, many of whom had

Continued on Page 20

Heavy selling hits bourses all over Europe

BY JANET BUSH IN LONDON

FRANTIC SELLING hit bourses throughout Europe, testing stock exchange systems to the limit and leaving dealers wondering how their markets could find any insulation from Wall Street's disastrous performance.

Share prices were marked down sharply at the outset as the bourses responded to last week's wave of selling on Wall Street and then dived as US equities again opened lower.

In London, trading was chaotic as the Stock Exchange's automated quotation system failed to cope with the volume of business and telephones were left ringing by dealers already inundated with calls.

In Frankfurt, the bourse stayed open for an extra half hour and in Brussels, where the fall in share prices was the largest since records began 25 years ago, trading was extended by 45 minutes.

The London Stock Exchange was worst hit as traders swiftly responded to two days of heavy selling on Wall Street. On Friday, business in the City of London was almost shut down after overnight storms.

The FT-SE 100 index was marked down by nearly 140 points at the outset yesterday and plunged more than 300 points before rallying nervously to close at 2052.3, down 249.6 points, the worst points fall in a day since the FT-SE index was started. The previous record points fall was on August 6 when it closed 56 points lower.

In percentage terms, yesterday's drop of 10.1 per cent, as measured by the FT Ordinary Index, was the largest since a decline of 7.1 per cent in March, 1974. The FT Ordinary closed at 1629.2, down 183.7 since Thursday.

Most share analysts were trying to put a brave face on yesterday's rout, arguing that the fundamental strength of the British economy would begin to reassert itself on market psychology when the current hysteria calms down.

One equity dealer in London commented: "The professionals will go down with the ship rather than be seen to be unprofessional by panicking. The true professionals got out of the London market three weeks ago."

Although the price falls were astonishing and the speed of the drop unprecedented, institutional selling was not reported to have been substantial and the large pension funds and insurance companies seemed to have kept their nerve.

Private investors appeared to have been scared out of even attempting to respond to the drop and probably could not have called their brokers in any case.

However, the fall has worried many involved in the British Government's sale of British Petroleum shares.

Not only is there grave concern that the small investor could now shy away from the offering but there was also speculation that the Government might even delay the sale if share prices continued to slump.

Continued on Page 20

Bankers try to restore confidence in dollar accord

BY PHILIP STEPHENS IN LONDON AND ANDREW FISHER IN FRANKFURT

EUROPEAN OFFICIALS yesterday sought to restore market confidence in their commitment to last February's Louvre accord as the dollar fell sharply in response to the recent transatlantic dispute over rising West German interest rates.

There were also signs that West Germany's Bundesbank is backing away from the staunchly independent stance over monetary policy which sparked the row. The central bank moved to boost liquidity in the Frankfurt money markets, and a senior official said that it was now prepared to resist pressure for further increases in interest rates.

The dollar's fall yesterday followed weekend remarks by Mr James Baker, the US Treasury Secretary, underlining Washington's anger over successive rises in West Germany's borrowing costs over the past few weeks. The comments intensified speculation that the US would seek a lower dollar if the trend continued.

In London, the US currency closed at DM1.7770, 2.4 pfennigs lower than on Friday, although above the levels seen in initial trading. Sterling climbed by 1.7 cents to end the day at $1.6805.

There were signs that US irritation with the Bundesbank is shared by some European nations, which feel that West Germany may have over-reacted to market pressure for higher rates.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, has done little to disguise his view that West Germany should do more to promote economic growth and should avoid any tightening of monetary policy. While it has been careful to avoid public criticism of the recent Bundesbank moves, the Government's view is that they have been "unhelpful".

In comments which were seen as directed as much to Bonn as to Washington, Mr Eduard Balladur, the French Finance Minister, yesterday called for all participants to live up to their commitments.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, was quoted by his officials as saying that he assumed co-operation among the Group of Seven would continue.

Mr Claus Koehler, a member of the Bundesbank directorate told VWD, the German financial news agency, that the central bank would prevent a further rise in rates so as to calm down the market and also to help to stabilise the dollar.

By adding liquidity to the market through a special provision allowing use of government funds deposited with it, the Bundesbank brought call money rates down to around 3.75 per cent after a day's high of 3.95 per cent.

Takeshita to succeed Nakasone as Japanese Prime Minister

BY IAN RODGER IN TOKYO

MR NOBORU Takeshita has been selected to succeed Mr Yasuhiro Nakasone as Japan's prime minister. He will take over early in November.

Mr Takeshita, 63, was chosen last night by Mr Nakasone after an extraordinary turn of events at the end of several days' negotiations among the three candidates for the job.

Yesterday evening, when it appeared that the negotiations would not be successful, the three agreed to submit their resignations as candidates for president of the ruling Liberal Democratic Party - a post which carries the position of prime minister - and let Mr Nakasone decide which to accept.

They did this rather than face a potentially divisive election today among the 445 LDP members of the Diet (parliament).

Mr Nakasone met with a few of the LDP's elder statesmen before arriving at his decision.

He also urged Mr Takeshita, a former finance minister, to name the other two candidates, Mr Shintaro Abe, 63, and Mr Kiichi Miyazawa, 69, to other senior appointments.

Mr Takeshita immediately appointed Mr Abe as secretary general of the LDP, a post until now occupied by Mr Takeshita and generally considered the gateway to the prime minister's office.

Mr Miyazawa, Finance Minister, was named deputy prime minister, a position often given to senior statesmen.

In a statement Mr Nakasone said it was important to maintain party unity to deal with difficult internal and external problems, including an overseas trade imbalance and restructuring the economy.

Both Mr Abe and Mr Miyazawa said that they would cooperate with Mr Takeshita.

Most political observers in Tokyo were expecting that if Mr Nakasone became involved as an arbitrator he would lean towards Mr Abe who, it was argued, would be best placed to maintain party unity.

LDP officials suggested later that the selection of Mr Takeshita was made partly on the assumption that he, as the leader of the largest faction in the party, would be the best of the three candidates to lead the party into a general election, even though one is probably two years away.

Mr Nakasone might also have leaned in favour of Mr Takeshita in return for the support given to him by Mr Takeshita and his followers five years ago when he became prime minister.

There were also fears that the Takeshita faction might split up if its leader did not become prime minister.

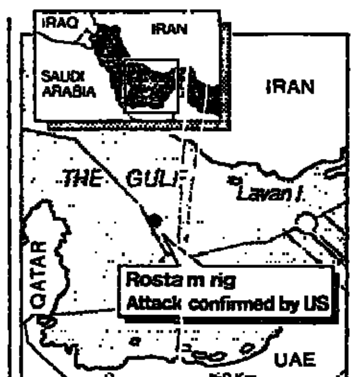
Mr Takeshita said in his policy platform unveiled last month that he would work to continue policies of Mr Nakasone and called for efforts to improve relations with the US, strained particularly by trade friction.

On domestic issues he has called for decentralisation and a tax on land transactions to stem sky-rocketing property prices.

While on the sensitive issue of Japanese import restrictions he said: "We will work to increase imports, providing other nations with information on the characteristics of the Japanese market".

The decisive intervention by Mr Nakasone makes him now the clear kingmaker in the LDP and a political force to be reckoned with after he leaves office.

Japan's man for all moments, Page 20



Fury after US strikes at Iranian oil platform

By our Foreign Staff

US WARSHIPS destroyed at least one Iranian oil platform in the Gulf yesterday in a strike which drew fierce criticism from the Soviet Union and a warning from Iran that it now considered itself at war with Washington.

Mr Caspar Weinberger, US Defence Secretary, said four destroyers fired 1,000 five-inch shells at Iran's Rostam oil rig, 120 miles east of Bahrain, in retaliation for last Friday's Iranian missile attack on a tanker flying the US flag in Kuwaiti territorial waters.

He said the platform, which has not been used for oil production for the last year but has served as a base for Iranian Revolutionary Guards, had been obliterated but that Iranian personnel on it had been given a 20-minute warning to leave.

The strike, though it fell short of an attack on the Iranian mainland, appeared to mark an escalation in US action in the Gulf, which has hitherto been confined to protecting US-flagged ships in international waters and in some cases to containing Iranian naval activities.

The Pentagon also announced that US forces had boarded an Iranian oil platform about five miles from the Rostam rig, after it had been abandoned by Iranians. The US forces destroyed radar and communications gear on the platform before leaving.

The US strike drew strong support from Congress. Mr Weinberger said the US considered "this matter is now closed", although he warned of retaliation with stronger counter-measures if Iran struck back. President Ronald Reagan said, in a statement, that Washington had no desire for a military confrontation with Iran, but: "The Government of Iran should be under no illusions about our determination and ability to protect our ships and our interest against unprovoked attacks."

Tehran, which said two oil platforms were hit in the US attack, reacted furiously. Mr Kamal Kharrazi, head of Iran's War Information Headquarters said Washington was now involved in what he called a ful-

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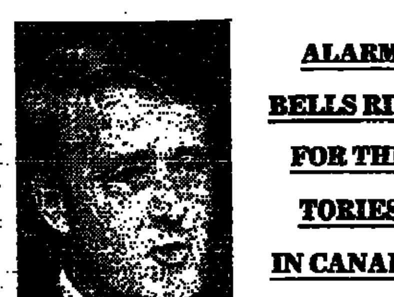

Prime Minister Brian Mulroney counts cost of Liberal provincial landslide, Page 3

ALARM BELLS RING FOR THE TORIES IN CANADA

Gonzalez backs closer EC ties on defence

MR FELIPE Gonzalez, the Spanish Prime Minister yesterday backed increased defence co-operation with European Community nations and said common action would not threaten the presence of US forces in Europe, AP reports from Florence.

The Spanish leader said at the European University Institute, where he delivered an address on European unity, that the recent Franco-German agreement on a common brigade and joint manoeuvres was a precondition for such defence co-operation.

"The common defence area of Europe is an idea whose time has come," said Mr Gonzales, noting that the tentative Soviet-US agreement on intermediate nuclear forces had re-opened a debate on European security.

Asked how this would affect Spain's current negotiations with the US on bases, Mr Gonzales replied: "Any reflection will have to take into account the US presence on different parts of the continent."

Spain will have to decide by November 14 whether it will renounce the current five-year treaty with the US signed in 1983, as talks between the two countries have stalled.

There are 10,500 US troops and four joint-use US-Spanish bases in Spain.

He said his proposals for greater European defence co-operation "have no relation to the present negotiations," but he would not comment further.

Pointing to possible areas of co-operation in European defence, Mr Gonzales said the Western European Union, a loose-knit defence framework, could be revived. It

Felipe González

could also take the form of joint construction of tanks, and a single fighter plane, he added.

In his address at the university's annual Jean Monet conference, Mr Gonzales echoed the same themes, saying that the Western defence framework had now changed with the new Soviet-US agreement and that it was "clearer than ever" that European countries should work together for their common defence "but within the framework of the Western alliance".

On other issues, Mr Gonzales predicted that Mr Federico Mayor Zaragoza of Spain, the new director-general of Unesco, would be able to restore co-operation between countries at the international organisation.

He also reiterated that Spain's position not to send ships to the Gulf would not change and that any confrontation between the US and Iran would not affect the present climate of detente between the US and the Soviet Union.

PLUMMETING MARKET PUTS PRIVATISATION PLANS IN DOUBT

French small shareholders urged to sit tight

BY GEORGE GRAHAM IN PARIS

FRANCE'S new generation of small shareholders has woken up with a jolt to the dangers of the stock market.

After rushing to buy shares in the 11 companies which have been privatised in France in the past nine months, they are now looking at the other side of the coin - *Le Krach*.

The collapse of Paris share prices in recent weeks has brought a regiment of government ministers out to man the barricades.

"We have to look at things over the long term, not at day-to-day movements. What savers should be looking at is the health of our economy and the health of our companies," said Mr Edouard Balladur, the Finance Minister.

"Don't panic, hold on tight to your shares. You must not be discouraged because the market is falling," said Mr Jacques Chaban-Delmas, president of the French National Assembly, in front of the microphones of Radio Monte Carlo.

Mr Jacques Chirac, the Prime Minister, was even more reassuring as he toured the South of France. "This is not our problem," he said. "There is no reason why our stock market should suffer anything but temporary and indirect shocks coming from abroad."

At stake for the Government is the success of its ambitious privatisation. A month ago, the stock market flotation of ten companies worth FFr100bn(£10bn) seemed an uncontested triumph, perhaps the most solid achievement Mr Chirac's administration has scored since it came to power in March 1986. The 3.8m small investors who each received four shares in Paribas, the investment banking group which was the second to be privatised, seemed likely to be among Mr Chirac's warmest supporters in next year's presidential elections.

But the privatised companies have not been spared from the collapse of the stock market. Many of them are now trading below the price at which they were originally floated. Paribas dropped yesterday to FFr367, 9 per cent below its issue price, joined by Compagnie Generale d'Electricite (CGE) and Societe Generale, with more than 2m shareholders apiece.

France now boasts an estimated 6m direct shareholders - three times as many as existed a year ago - whose lack of experience of the stock market has caused frissons of anticipation among brokers who feared that they might panic at the first signs of collapse.

Hard-bitten institutional investors expressed surprise at the spectacle of the chairman of the Paris stock exhange, Mr Xavier Dupont, urging small investors to keep their sang froid. But Mr Dupont has been seconded by Mrs Roselyne Pierre, who represents the small shareholders on the board of Paribas.

"As long as you haven't sold, you haven't lost. It is in bear markets that you get your education," Mrs Pierre said.

For the time being, the privatised companies feel that their small shareholders have not been gripped by the panic. "The small shareholders are staying very calm. The movements are coming very much from the institutional investors," commented Mr Andre Azoulay, director of communications at Paribas.

"We have the impression that very few shareholders are selling. The problem is that no-one at all is buying, which makes the share price fall," said Mr Jean-Francois Guichard, in charge of investor relations at CGE.

The momentum of the privatisation programme appears barely to have been maintained for Compagnie Financiere de Suez, the banking and investment group whose offer for sale closed on Saturday. The first count indicates that Suez will come close to the 1.5m subscribers achieved by St Gobain, the first company to be privatised, or by Credit Commercial de France. The score is a long way from the 3.8m applications clocked up by Suez's great rival Paribas, but is nevertheless respectable in today's highly unfavourable marketplace.

The real fears come for the next round of privatisations: for Matra, the defence and electronics company whose offer for sale opens next week, and for the two insurance companies, one bank and one industrial company which Mr Balladur has said he wants to privatise by March next year.

The steep fall of the stock market is creating mounting anxiety at the headquarters of Rhone-Poulenc, the chemicals group, and Pechiney, the aluminium producer, which are competing to be selected as the next industrial group to be privatised. Both are eager to raise new equity capital to finance their expansion plans and restore their balance sheets, but they can only do this if they are allowed to move into the private sector - a hope which may now be dashed

Two key sectors lag in Soviet economy

By Patrick Cockburn in Moscow

THE SOVIET economy, two months before the introduction of the most important managerial reforms since the 1930s, is achieving moderate rates of growth but continues to lag in key engineering and construction sectors, the Soviet Parliament was told yesterday.

Mr Nikolai Talyzin, head of the state planning organisation Gosplan and a candidate member of the politburo, said when introducing the plan and budget for 1988 that industrial production was planned to rise by 4.5 per cent next year. This is up on the original five-year planning estimates and compares with an increase of 3.6 per cent so far this year.

Decentralising

However, Mr Talyzin also stressed that from January 1 next year 60 per cent of Soviet industry will switch to self-financing and cost accounting in a major move to decentralise management decisions. Central bodies such as Gosplan ought to play a much smaller role in determining the day-to-day activities of enterprises.

As a result of these reforms, whose immediate impact on production is unknown, the attainment of plan targets for industry and agriculture will be less and less determined by Moscow.

Nevertheless, Mr Talyzin, considered a conservative on economic reform, told the Supreme Soviet that national income was planned to rise by a very ambitious 4.3 per cent in 1988 on this year's plan, industrial output by 4.5 per cent, agriculture by 3.4 per cent and labour productivity by 4.2 per cent.

Reviewing Soviet economic performance in 1987, Mr Talyzin said that the crucial machine-building industry, which is meant to retool the rest of Soviet industry, was not raising its output at the required rate. Production was up only 3.3 per cent in the first three quarters of the year in part because a proportion of its output was being rejected by Gospriomka, the state quality control organisation introduced at the start of 1987.

The troubles of the machine-building industry confirm that it is having difficulty in simultaneosuly absorbing a high level of investment, raising its technical level and also increasing production simultaneously. "It is not being allowed the necessary breathing space to retool," said a Western diplomat yesterday. More optimistically, the low figures for the production increase do indicate that quality control is making an impression.

Mr Talyzin said that the impact so far of new methods of economic management was still small. Its real effect would only become apparent after the introduction on January 1 of the State Enterprises law ushering in financial independence and cost-accounting to 60 per cent of Soviet enterprises.

Mr Boris Gostiev, the Finance Minister, who spoke after Mr Talyzin, said there were improvements but "some managers out of habit request money from the state instead of earning it."

But both he and Mr Gostiev underlined the significance of two other economic changes. The first is the transfer of responsibility for construction to enterprises themselves or to regions. "The duration of construction is twice what it should be," tying down major resources, Mr Gostiev said.

Energy saving

Figures released at the weekend showed that capital construction in the machine-building complex was 82 per cent of plan and in the chemical and wood industries was 74 per cent of target. Mr Talyzin said: "The plan is now being drawn up by those at the bottom with the centre only exercising overall control."

Another aspect of change underlined yesterday was saving resources. In the energy sector, oil, coal and gas have outperformed their targets since 1986 - though they absorb a high proportion of industrial investment - and senior Soviet officials have spoken of raising the price of fuel and raw materials to make enterprises more efficent in their use.

The statistical detail of Mr Talyzin's speech yesterday gives the impression that Gosplan and other central economic bodies, which are meant to be issuing fewer instructions, are loath to reduce their authority.

Spain bank sets up in Portugal

By Diana Smith in Lisbon

HISPANO AMERICANO, Spain's largest financial group and third largest bank, this week became the first Spanish financial institution to set up shop in Portugal, in the form of an investment company, Hispano Americano Sociedade de Investimento.

Since EC accession, business relations between Spain and Portugal have developed so rapidly and intensively that by September, this year's Spanish investment in Portugal totalled Es5bn in industry and services, rivalling Britain as Portugal's largest foreign investor.

The Hispano Americano investment company intends to be a funnel for Spanish investment in Portugal on the booming stock market as well as in industry and services, and for Portuguese investment in Spain which has begun to grow, albeit at a more modest pace than Spanish investment in Portugal.

According to Mr Claudio Boada, Hispano Americano's president, the organisation would have been happy to open a fully-fledged bank in Lisbon, but had been informed by the Portuguese authorities that a licence to operate a bank would take far longer to obtain than permission to open an investment company.

Therefore, Mr Boada told the press in Lisbon that the investment company was a stepping stone. It would quickly diversify into financial services in which Hispano Americano specialises.

Soon, the new investment company plans to enter joint ventures with Portuguese companies in leasing, factoring, insurance and portfolio management. Two other major Spanish banks, Central and Exterior, have been awaiting licences in Portugal since banking legislation was liberalised nearly four years ago.

Now that two Portuguese banks, Espirito Santo e Comercial de Lisboa and Banco de Fomento Nacional, have been allowed to set up representative offices in Madrid, the licensing process for Spanish banks may become less protracted.

Swiss poll breakthrough eludes Greens

BY WILLIAM DULLFORCE IN GENEVA

SWITZERLAND comfortably contained the assault of the Green environmentalists in the Federal parliamentary election at the weekend. For the second time running the principal loser turned out to be the Socialist Party.

But one of the oddest, if marginal, effects of the Greens' thrust to win influence in Swiss politics was the success of the car-owners' Auto Party, recently formed to oppose the environmentalists. It has placed two of its candidates in the National Council. With final positions still being worked out in two of the biggest cantons yesterday, computer projections had the Ecological Party gaining six seats, taking its total to 10 in the 200-member National Council.

This fell short of some expectations voiced shortly before the election but was in line with the forecasts of the Ecologists' own leaders. A separate electoral list allying left-wing Progressists with environmentalists had advanced from four to six representatives.

Greens can therefore expect to hold at least 15 seats on the National Council, sufficient to entitle them to be represented on key parliamentary committees.

However, the Green breakthrough which some conservative politicians had expected to follow the Soviet nuclear accident at Chernobyl and last November's pollution of the Rhine by Swiss chemicals, simply has not materialised.

Losses by the four-party coalition which has governed Switzerland since 1959 will number seven or eight, leaving it still in control of well over three quarters of the seats in the National Council.

In addition, the 46-member Council of States remains almost wholly in the coalition's hands. Only one independent candidate, Mr Monika Weber, representing a consumer movement backed by the Migros co-operative stores, succeeded in breaking the monopoly of the upper chamber exercised by the coalition and its French-speaking Liberal allies.

Among the three "bourgeois" partners of the coalition, the Radical Democrats, the biggest, were projected to end up with 50 seats, a loss of four, in the National Council, while the Christian Democrats were expected to hold 41 seats, one less than before.

The People's Party, a small farmers' movement turned liberal, which some forecasters speculated might be overtaken by the Greens, was instead on the way to gaining four seats. These three "bourgeois" parties will command just under 120 of the 200 seats in the National Council.

Fourth partner in the coalition since 1959, the Socialist Party has lost seven representatives, according to the projections. Mr Helmut Hubacher, its chairman, described the result as "inexplicable."

In Swiss political terms the setback is substantial. The Socialists had adopted a pro-environmentalist platform but clearly failed to win voters from the "pure" Greens.

An important explanation for the Socialists' decline is the fact that Switzerland's "working class" now consists largely of some 800,000 foreign workers who have no vote. Moreover, like other European Labour parties the Swiss Socialists have not managed to adapt their ideology to the aspirations of industry's new technologists.

Yugoslav PM spells out plan to ease debt crisis

BY OUR FOREIGN STAFF

THE Yugoslav Prime Minister, Mr Branko Mikulic, yesterday outlined to Parliament a 120-point programme designed to persuade the country's foreign creditors to accept proposals for debt consolidation.

Senior officials had been quoted several times in recent weeks as saying that Yugoslavia would cut back repayments on its $19bn foreign debt to 25 per cent of the country's foreign currency earnings next year.

Mr Mikulic said Yugoslavia had used 46.5 per cent of its hard currency earnings in the past 12 months to make debt repayments, which are currently suspended pending the start of negotations on rescheduling with Western creditors.

He painted a gloomy picture of Yugoslavia's economy, saying that gross national product was expected to grow by only 1 per cent this year, compared to 3.6 per cent in 1986.

The Prime Minister indicated that Yugoslavia would ask the West for fresh credits to help with what he said was a programme to restructure industry and boost exports. In recent years, Yugoslavia has tried to do without fresh credits from Western banks and governments.

There has been widespread speculation about a price freeze as part of the government programme. Mr Mikulic made no mention of this, saying only that the Government intended to increase control of prices. Currently, 46 per cent of industrial prices and 33 per cent of retail prices are determined by the government.

The authorities have twice rescinded planned price increases on consumer staples such as bread and petrol in the past four months following widespread popular protest. Producers have argued, however, that they need higher prices to cope with inflation, now at 123 per cent.

If price controls are increased, this would go against past demands from the International Monetary Fund to liberalise the price structure as one step toward improving the Yugoslav economy.

Non-aligned and neutrals to be excluded from troop cut talks

BY JUDY DEMPSEY IN VIENNA

THE member states of Nato and the Warsaw Pact which are meeting here informally to draw up a draft mandate for reducing conventional forces have agreed in principle to exclude the neutral and non-aligned countries from any formal talks.

Since February, the 16 members of Nato and the seven Warsaw Pact states have been meeting to look at ways of giving fresh impetus to the cutting of conventional forces in Europe. Both sides are now discussing each other's draft documents in an atmosphere described by one Western diplomat as "very business-like and free of polemics."

The new talks will operate within the framework of the Conference on Security and Co-operation in Europe (CSCE) which, with the exception of Albania, includes all the countries of Eastern and Western Europe, Canada, the United States and the Soviet Union. The talks, however, cannot be formalised until a mandate is agreed by all the 35 participating states of the CSCE process.

A draft document presented by the Warsaw Pact in June stipulated that all the 35 CSCE states be involved in the new talks. Nato, in contrast, favoured a system whereby the neutral and non-aligned would be informed about the talks on a regular basis.

"It is fair to say that the Warsaw Pact has now accepted this proposal," a Western diplomat commented.

The main sticking point, however, still centres on the scope of the talks. Nato, in its proposals on "conventional stability" presented in July, insisted that the talks focus specifically on reducing conventional weapons. The Warsaw Pact want tactical nuclear weapons to be included in the talks.

Meanwhile, the Vienna follow-up meeting of the CSCE is becoming bogged down in polemics. A compromise draft concluding document drawn up by the Austrian and Swiss delegations, which was originally accepted as a working document, has become, as one Western delegate put it, "completely amended and watered down by the Soviet side." The growing consensus is that the Vienna meeting will not end as scheduled on November 20.

Poland urged to give opposition government say

By Christopher Bobinski in Warsaw

CONSENSUS, an officially recognised Polish discussion club containing moderates from the Communist Party and people with a Catholic church background, has urged the inclusion of opposition experts in the Government.

This is the first public suggestion of this kind since martial law was imposed, and comes in an article by Mr Tomasz Bartoszewicz, one of the group's founders, in an official weekly, as key government appointments to be announced on Saturday are being decided.

It argues that the country will accept painful price increases necessary for economic reforms to succeed if the government contains names commanding opposition groups' confidence.

Turkey halves its current account deficit to $674m

BY DAVID BARCHARD IN ANKARA

TURKEY'S current account deficit was $674m in the first seven months of this year, around half what it was in the same period of 1986, the State Institute of Statistics announced yesterday.

The improvement comes despite increased debt servicing obligations this year. Central Bank officials still expect the deficit to reach about $1.1bn by year-end.

A rise in exports this year seems to be the most important factor behind the current account performance. Latest figures show that exports have risen by 31 per cent to $5,868m in the first nine months of the year, with an all-time exporting monthly record of over $1bn in September.

The export increase comes from trade with the OECD (up by 62 per cent in the first nine months of this year) and the EC (up by 56 per cent) in particular. Exports to Islamic countries fell by nearly 12 per cent.

However imports are also growing. They rose by 16 per cent in the first nine months of the year, most of the increase coming from the petroleum-exporting countries of the Gulf.

The current account performance should reassure the international commercial banks that Turkey will not need any additional balance of payments assistance until well into 1988.

Waste ship limps in

AN incinerator ship disabled in the North Sea by protesting fishermen was being towed to Rotterdam yesterday, the Greenpeace environmentalist group said, AP reports from Copenhagen.

The Vulcanus II was set adrift Sunday when it snagged in the nets the fishermen spread in its path to protest against burning toxic waste.

Swedish spy scandal brings down minister

BY SARA WEBB, STOCKHOLM CORRESPONDENT

SWEDEN'S Justice Minister, Mr Sten Wickbom, resigned yesterday because of the scandal surrounding the escape of the spy Stig Bergling during a visit to his wife in Stockholm two weeks ago.

Mr Wickbom said "serious errors" had been committed by the authorities responsible for the spy and that there were "deficiencies" in the justice administration. On Friday he had been informed by his deputy, Mr Harald Faelth, that Bergling had been given permission to visit his wife on October 5 even though on a previous conjugal visit there had been serious lapses in security.

The minister added that his resignation decision was reached with the common consent of Prime Minister Ingvar Carlsson.

Bergling's escape has severely embarrassed the authorities, not only because of the security lapses - which meant that he was left unguarded for several hours - but also because of the considerate manner in which Mr Bergling was treated: he was allowed to change his name (to Eugen Sandberg) and appearance in prison, he received pension payments from his previous job and kept his passport.

After his escape with his wife was discovered, ten hours elapsed before police sent out a national alert.

Bergling was sentenced to life imprisonment in 1979 for selling secrets about the security police and defence staff to the Soviet Union. The Swedish defence staff still consider him a serious security risk because of the information he possesses about the country's coastal defences. It has cost more than SKr300m(£28.5m) so far to repair the damage done by the spy's revelations.

Though Mr Carlsson said at a news conference ten days ago that he had "100 per cent confidence" in Mr Wickbom, public criticism of the authorities and their shunning of responsibility has grown to a crescendo. Newspapers across the political spectrum, as well as prominent Social Democratic party members, had called for Mr Wickbom's resignation.

The 56-year-old Justice Minister said yesterday that he accepted full responsibility for not having been informed about the questionable security for Bergling and that he had decided to resign for moral reasons.

Mr Wickbom has increasingly come to be regarded as a political liability for the ruling Social Democratic party, which faces a general election next year. He was criticised strongly throughout the muddled and unsuccessful hunt for Prime Minister Olof Palme's assassin, although he said yesterday that his resignation "had nothing to do with the Palme affair."

Terry Dodsworth assesses the likely impact of an unusual industrialist on a joint European information technology programme

Stern rhetoric puts Europe's Esprit on its mettle

MR JACQUES STERN, chairman of Bull, the French computer group, is an unusual industrialist. For one thing, he loves giving speeches - long, stirring orations in which he pours out his convictions on the need to strengthen Europe's high technology industries. For another, he has no fear of controversy.

On both counts, Mr Stern made his mark at the recent conference on the progress of Esprit, the joint European programme of research into the information technology industry. In a keynote address on the results of Esprit, he put the case for a stronger European research effort in terms that would not have seemed out of place in the Gaullist rhetoric of 25 years ago; and he went out of his way to press for a more hard-headed, market-oriented approach directed at producing marketable products.

Mr Stern's intervention pinpointed a number of issues which will face collaborative European research projects over the next few years. The principle of co-operative programmes now seems to have been firmly established: after the long struggle over the European Community budget earlier this year, Esprit has been given new funding which will double its resources to Ecu3.2bn (£2.2bn) for a five-year programme starting roughly a year from now; and companies and universities from the full range of the EC have undoubtedly learned to work together in a way that would have been unimaginable five years ago.

But the technology gap between Europe and its competitors in the US and Japan remains. The original Esprit programme, now in its fourth year, aimed to tackle the technology issue with an ambitious and modest approach. On the first score, it has channelled EC funds into companies and universities which were willing to form transborder alliances - a dramatic bid to push these institutions beyond their national boundaries, give a European scale to research and avoid duplication of effort.

More modestly, however, the programme was designed to concentrate on pre-competitive research. But Mr Stern questioned whether this approach will yield much in terms of more competitive products. He pointed to three mainline equipment areas in which Europe has virtually no presence at all, but which are crucial elements in the technology structure of any country - supercomputers, microprocessors and computer storage devices. In all these fields, he believes that the EC should embark on a determined catch-up effort. Such a programme would, however, raise a number of issues.

● European Governments are looking increasingly less inclined to support a more product-oriented approach on behalf of companies which, they believe, should have done more to help themselves. Some governments, notably the UK, argue that public funds should be used only sparingly or not at all

Stern: no fear of controversy

when it comes to the development of new products. That, they say, is the main responsibility of the companies themselves.

● Big product programmes tend to be costly. Countries such as West Germany are already sceptical about the way money is spent on pan-European research, arguing that cost controls tend to be weak and that the price of achieving advances is higher in collaborative ventures. Indeed, this was one of the factors behind the British Government's long drawn out blockage of new funds for EC research earlier this year.

● Larger projects also tend to put big companies more firmly in the driving seat, since they have the most resources to organise these kinds of activities - a point emphasised by Mr Stern, who advocated the formal organisation of some projects around chosen European champions. This would meet intense opposition from smaller and less developed European countries, which already argue that they are at a disadvantage in competing for Esprit funding.

● A more product-led attitude could lead to friction with the universities. Within the Esprit programme there is a great deal of enthusiasm for the way in which the old barriers between industry and the university system have been broken down. But moving the boundary lines closer to the American model of co-operation does not mean that they have disappeared.

The betting at the moment is that these issues will be resolved by a slight change of emphasis. Officials working on Esprit are already preparing to give a somewhat greater market orientation to the programme, notably through Technology Integration Projects, aimed at bringing together research workers from different fields to see how this cross-fertilisation may lead to products. There will be several relatively large schemes of this type aimed at areas such as industrial automation.

Many of the researchers involved in Esprit believe that this approach makes more industrial and political sense than the high prestige programme advocated by Mr Stern. They argue that Europe is still only beginning to rectify its weaknesses in several areas of basic research; and they believe that it would be foolish to embark on glamorous, flag-flying projects with a high risk of failure and political interference.

But the danger of the low key approach is that it may lose Esprit the public support it needs for the future. It is hard to win much attention for achievements such as new software tools, for instance, which mean little to either the man in the street or the ministers who decide on budgets. At some point along the line, taxpayers may be demanding tangible proof that Esprit is beginning to turn back the tide of American computers and Japanese hi-fi equipment; and at that time, the debate on pure research versus product orientation will reopen again in earnest.

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Poor outlook for Brazil confirms creditors' fears

BY IVO DAWNAY IN BRASILIA

A MARKED slowdown in Brazil's economic performance has forced Finance Ministry officials to revise the forecasts presented to bank and institutional creditors in June as part of the country's Macroeconomic Consistency Plan.

Publication of the new figures, scheduled for the end of this week, will confirm fears that Brazil's outlook for the year end is less rosy than predicted.

Unofficial reports claim that the forecast for the public sector deficit has been raised from 3.5 per cent to 4.5 per cent of gross domestic product. The new estimates take into account a larger than expected deficit in the first half - up from 1.9 per cent to 2.1 per cent - additional expenditure previously unaccounted for and a large rise in the federal government's salary bill.

The fall in industrial output in August and September has also forced a downward revision of the year end growth in GDP from a 3.5 per cent rise to 2 per cent. Brazil needs to achieve growth of 6 per cent a year merely to absorb the more than 1m workers who enter the labour market each year.

The poorer outlook confirms the fears expressed by foreign creditors after the plan was launched that the forecasts were too optimistic.

Visible trade performance is continuing to improve, however, fuelled by strong exports of coffee and cars.

A trade surplus of more than $1.4bn in September has led officials to revise the 12 month forecast from $8.5bn to $10bn, it is claimed.

The improvement had fuelled speculation that Brazil may offer to make a symbolic payment of some interest on $68bn in longer term commercial bank loans. Interest payments on these credits were suspended in February after it was revealed that Brazil's foreign reserves had fallen dramatically to $4bn.

Unofficial newspaper reports have speculated that the Brazilian Government will offer a token payment shortly in an effort to prevent US bank regulators ordering a further downward revision of the status of the country's debt to "value impaired."

Mr Fernando Milliet, the Central Bank president, has this week resumed talks in New York on a possible strategy for rescheduling the country's $113bn foreign debt. There is understood to be growing concern in Brasilia that the continuing moratorium is drying up the supply of short term trade financing from commercial banks.

Baker flies to Europe for talks

By Stewart Fleming, US Editor, in Washington

James Baker: new uncertainties

MR JAMES BAKER, the US Treasury Secretary, was yesterday flying to Europe for discussions with Government officials in Sweden, Denmark and Belgium.

Treasury officials said Mr Baker would consult finance ministers on a range of bilateral and multinational issues including the Third World debt problem.

There is speculation that the Treasury Secretary may also meet West German officials. Last week Mr Baker injected new uncertainties into the world's financial markets by attacking West German economic policies.

With the US financial markets collapsing for the third consecutive day yesterday, some economists have concluded that Mr Baker's attack on West Germany, coming at a time of heightened nervousness in the financial markets, could well turn out to be his worst mistake in two and a half years at the Treasury.

Much depends, however, on whether Wall Street can both stabilise and recover confidence in the wake of its worst post war battering.

Mr Baker's political standing is also on the line now. There is concern over the policies which have been adopted by both the Treasury (in terms of Administration rhetoric) and the Federal Reserve Board. The Fed's decision not to raise the discount rate to try to steady the markets also has the stamp of the Treasury Secretary's strategy.

Indeed on Wall Street some financial experts are disturbed by evidence that the Fed under its recently-appointed chairman, Mr Alan Greenspan, is echoing Mr Baker's confident assessment of the outlook for inflation.

Yesterday Mr Peter McPherson, the Deputy Secretary of the Treasury, told a US-Israel trade conference the economy's fundamentals were "very solid" in spite of the budget deficit and trade deficit problems.

Echoing Administration views, Mr McPherson said that the US had made enormous strides in reducing unemployment and creating jobs.

He added that the rise in interest rates and the volatility in the stock market were of concern but, like Mr Baker, said he thought market expectations of inflation were exaggerated.

David Owen in Toronto on the eclipse of New Brunswick's Tories

Voters' leaves turn in Canada

"THE TREES of New Brunswick are turning red and the leaves are dropping like Tories."

The campaign refrain of Mr Frank McKenna, the gritty New Brunswick Liberal leader, was fulfilled beyond his wildest dreams last week when his party eclipsed the Conservatives of Mr Richard Hatfield and won all 58 seats in the province's legislature.

Coming just a month after the Ontario Liberals under Mr David Peterson had gained a landslide of scarcely lesser proportions, the result set more alarm bells ringing for Mr Brian Mulroney's beleaguered ruling federal Conservative Party in Ottawa.

Having garnered 50 per cent of the vote and a crushing House of Commons majority in the September 1984 general election, the Tories have had the support of fewer than one in three decided voters throughout this year. The latest Gallup poll, conducted between October 7 and 10, less than a week after the signing of a tentative free trade pact with the US, puts support for the party firmly below the one in four level at 23 per cent. The opposition Liberals and New Democratic Party (NDP) are now tied for first place with 38 per cent.

The unconventional premier's spectacular demise has been laid at the door of a string of so-called "personal problems", including alleged drug-related incidents and the misuse of provincial and party funds. These, rather than Mr Hatfield's not inconsiderable record of political achievement during his long reign, appear to have been uppermost in the average New Brunswick voter's mind.

In similar fashion, the present unpopularity of the Mulroney administration has been widely blamed on a sequence of scandals, which have undermined such political successes as the Meech Lake accord and the Finance Ministry's generally well-received tax reform package.

If voters throughout Canada mimic the New Brunswick electorate in its system of priorities, it would appear to augur badly for Mr Mulroney's reliance on major policy achievements, such as the US-Canada free trade deal, to pull his party back from the brink.

But while the Conservatives are not exactly in the pink at the moment, most observers cite two compelling reasons why the New Brunswick debacle and the equally embarrassing defeat in Ontario rank only a three or four on the Richter scale of the party's current catalogue of woes.

First, the New Brunswick election was so dominated by the party leaders' respective (and highly distinctive) personalities that it is generally regarded as a case *sui generis*. In such a tightly-knit community as New Brunswick, Mr Hatfield's past alleged misdemeanours were bound to be viewed dimly. "It is remarkable that such an unconventional character held on for so long in such a conventional community," opines one seasoned Toronto-based commentator.

Second, Canada has often manifested an almost instinctive inclination to vote heavily for federal opposition parties in provincial elections. "There is a real tradition of checks and balances in Canada," comments Mr Bill Fox, a political consultant and former adviser to Mr Mulroney. "When Trudeau was elected there were 6 or 7 Liberal governments at a provincial level," he adds. "By the time he left there weren't any."

Mulroney: party beleaguered

The present-day Conservatives still have much ground to lose before they reach that sorry state. While Tory representation among the premiers of the ten provinces has now shrunk to four, the support on issues like free trade of British Columbia's Social Credit party premier, Mr Bill Vander Zalm, and Quebec's nominally Liberal Mr Robert Bourassa, should often effectively swell the ranks to six.

Also working in the federal Conservative Party's favour are the doubts which still surround the challenges of both the apparently high-flying Liberals and the NDP.

The decent but uncharismatic Liberal leader, Mr John Turner, appears to be fighting for his political life under charges of indecisiveness and amid worries that the unprecedentedly high levels of NDP support may prompt a polarisation of Canadian federal politics which risks leaving the Liberals, for so long the natural party of government, out in the cold.

Doubts persist, meanwhile, regarding the true depth of support for the left-of-centre NDP outside its western Canadian heartland. There is too a lingering feeling, despite a clean sweep of summer by-election victories, that an appreciable proportion of those now pledging allegiance to the traditional third party of Canadian politics would get cold feet and revert to more tried and trusted alternatives in a general election.

The door then is still ajar for the Tories to stage a recovery before the next election falls due in September 1989. Much, however, depends on the public's response to the US trade deal.

While the latest poll indicates that initial reaction to the deal is, if anything, negative, the further two-point slump in the party's national rating masks a startling surge in its popularity in the Canadian west. Support for the Tories in the western provinces jumped nearly 10 per cent from the preceding month to 33 per cent. Both premiers Bill Vander Zalm of resource-rich British Columbia and Don Getty of oil-producing Alberta are strongly in favour of the US trade pact.

Venezuela bank chief to resign

By Joseph Mann in Caracas

MR HERNAN ANZOLA, president of Venezuela's Central Bank, has announced that he plans to resign after only 14 months in the post.

The normal term for a Central Bank president is five years. Yesterday two major Caracas daily newspapers reported that Mr Anzola was planning to leave the key Central Bank position. But reports yesterday suggested that President Jaime Lusinchi, who is responsible for naming the Central Bank chief, had not yet been informed of Mr Anzola's resignation.

In an interview published yesterday, Mr Anzola said he was not leaving the bank 'on the crest of any Government crisis,' but that he wanted to return to a management position in the state-owned oil industry, where he has worked in the past.

Private sector sources said the Central Bank executive was unhappy with his job due to frequent policy clashes with other members of the Government and with the business and banking community.

Prior to assuming the Central Bank presidency, Mr Anzola served the current administration as State Minister for Basic Industries and Vice-Minister of Energy and Mines. No one has yet been named as a possible replacement for Mr Anzola.

Battle over Peru's state takeovers

By Barbara Durr in Lima

PERU'S private insurance and finance companies yesterday shut down operations, giving their employees 15 days leave with pay, in a new tactic in their battle against nationalisation.

The Government said it considered the action a lockout which violated the labour code and warned it would fine each company $2,500.

The companies said the forced holiday was to protect their employees in the event of a violent takeover by the Government. Hundreds of riot police seized Peru's top two banks and a finance company last week using tanks and tear gas.

The Banco Mercantil, which expects to be seized this week along with other banks, also gave its employees a 15-day paid leave starting last Friday.

President Alan Garcia said at the weekend there would be no exceptions to the nationalisation law. "The law must be obeyed, by God, because it comes from the people," he said.

A public opinion poll showed that 69 per cent of those interviewed disapproved of the manner in which the Government has intervened in the banks, while 27 per cent approved.

Mexican maverick fails to win backing

BY DAVID GARDINER IN MEXICO CITY

MEXICO'S independent Left, grouped largely in the Mexican Socialist Party (PMS), will almost certainly not back Mr Cuauhtemoc Cardenas in his maverick bid for the presidency announced last week.

Mr Cardenas, who has for more than a year led the reformist Democratic Current within the ruling Institutional Revolutionary Party (PRI), has alienated the PMS and many of his supporters by getting himself formally proposed as a presidential candidate by the so-called Authentic Party of the Mexican Revolution (PARM), a tiny and discredited party sponsored by the PRI.

The main result of what had looked like the most serious challenge the 70-year-old regime had faced since the presidential elections of 1940, now appears as though it will lead to a further fracturing of the opposition to Mr Carlos Salinas de Gortari, the official PRI nominee to succeed President Miguel de la Madrid next year.

Mr Heberto Castillo, the respected veteran chosen by the PMS in primary elections as its presidential contender, and who had earlier offered to step aside for Mr Cardenas, has virtually dismissed any possibility of an alliance.

"In the end he was more concerned to preserve his candidacy than to resolve the problems of the country," Mr Castillo concluded bitterly last week of Mr Cardenas, with whom he has been the joint curator of Mexico's left-wing nationalist conscience for decades.

Mr Cardenas, a former state governor and senator and son of President Lazaro Cardenas, had challenged President de la Madrid's right to hand-pick his successor and the austerity policies of the last five years, which have been particularly associated with Mr Salinas, the Planning Minister.

Carlos Salinas: official successor

His calls for more democracy, and espousal of populist policies like a suspension of service payments on the $105bn foreign debt resonated loudly in Mexico's regime-dominated politics, causing disarray in the PRI leadership which twice tried to expel him.

But Mr Cardenas' decision to ally himself with the PARM, and possibly two other PRI satellite parties, appears overnight to have frittered away the considerable moral capital his stance had built up. This is the more so since his candidacy was imposed within the PARM without consulting the rank and file and in a deal with party leaders which led to the expulsion of dissidents. This was exactly what Mr Cardenas had most criticised inside the PRI and what had led to his break with the regime.

US group seeks to halt Botswana soda ash project

BY JIM JONES IN JOHANNESBURG

THE American Natural Soda Ash Corporation, a cartel of Wyoming soda ash producers, is trying to block development of Botswana's Sua Pan soda ash project. Agreement on Sua Pan's development was reached by the Botswanan and South African Governments in Gaborone last week.

Mr John Andrews, Ansac's president, has written to most of the South African users of soda ash, the only feasible buyers of the Botswanan product, saying that:

- Botswana is politically a riskier source of supply than the US.
- That the only successful soda ash production units established since 1974 were those based on trona (hydrous sodium carbonate) deposits in the US.
- That the Botswanan soda ash is likely to be far more expensive than American.
- That the Botswanan material is unlikely to be as pure as the American.

Paradoxically AECI, South Africa's largest diversified chemicals group is involved on both sides of the equation. It plans to develop the Sua Pan deposits jointly with BP Minerals, and its Chemserve subsidiary has a bulk loading facility at Durban and imports Ansac soda ash. ICI, which has a big interest in AECI, imports synthetic soda ash into South Africa from Britain.

Mr Mike Sander, AECI's chief executive, says that Ansac's allegations are misleading. He believes the Sua Pan project is profitable at current soda ash prices and adds that if Ansac drops its prices to undercut Botswana, South African anti-dumping tarrifs would be triggered. He adds that the Sua Pan trona is as pure as any extracted in America and that common salt, an important chemicals feedstock, will be a valuable by-product.

Mr Sander says that Sua Pan's production will simply supply South Africa's annual needs of about 300,000 tonnes of soda ash. He adds there is little point in exporting as world markets are over-supplied.

A Japanese farmer sizes up his crop

Japan faces reform in the rice fields

Ian Rodger visits Niigata prefecture and finds bad news for farmers in a bumper harvest

THE ANNUAL rice harvest on the rich Niigata plain is almost over and here, as elsewhere in Japan, the news is very bad: another bumper crop has been brought in.

"If it goes on like this, one year in three we will not have to produce any rice at all," says Mr Koichi Hara, president of the Nokyo (agricultural co-operative) of Shirone City in Niigata.

Excess rice production is the latest problem to emerge in Japan's grotesquely distorted agricultural industry. This year, thanks in part to the Government's generous subsidies, rice production may reach 13.7m tonnes. Meanwhile, consumption, which is on a long-term declining trend due to Japan's growing affluence, will be only 10m tonnes.

Listening to some US critics of Japanese agriculture, it would be easy to conclude that this situation is out of control and getting worse. However, the clear impression gained from two days of talks with farmers and agricultural industry leaders in Niigata, one of Japan's leading rice growing areas, is that reform is on the way.

The Government is putting increasingly severe restrictions on rice production and, at long last, is beginning to cut support prices. Last July, for the first time in more than 30 years, the Government ignored the demands of the powerful farm lobby for the customary annual increase in the official rice price, instead cutting it by 6 per cent.

Moreover, the traditional rural lifestyle, which the Japanese argue must be preserved, is breaking down as more young people choose to take jobs rather than continue farming and as mechanisation encourages consolidation of small farms. Of those who remain, more than a few have university degrees and have travelled round the world.

The reform process will not occur as quickly as the US Rice Millers Association would like it to. Indeed, it may be slowed if foreign governments' aggressiveness on the rice issue makes the Japanese turn stubborn. Even Mr Kiichi Miyazawa, the most cosmopolitan of the three candidates hoping to succeed Mr Yasuhiro Nakasone as prime minister later this month, digs in his heels on the rice issue.

"I think we are on the right track to solve this problem domestically rather than from international pressure," he said the other day. But the social and economic trends in rural Japan, like those in other industrialised countries, seem irreversible.

Ironically, the main cause of Japan's current agricultural problems is the radical land reform programme carried out by the US occupation authorities after World War II. Under this programme, sharecroppers were given the opportunity to buy, at nominal prices, the land they had worked for generations. Most did so. Initially, the effects of the programme were very positive, contributing to the broad distribution of income and property ownership that helped Japan to rebuild its economy.

However, the proliferation of small family farms, exacerbated by split inheritances, has created a patchwork of tiny, inefficient operations. In Niigata, for example, the average farm size is only 1.21 hectares, and the Government considers anything over five hectares to be large. Mr Higuchi Mitsugu, a member of a five-farm co-operative that manages 15 hectares near Takai City, claims that their operation is about the optimal size for rice cultivation. "Our costs are about 20 per cent lower than they would be if we were farming on our own," he says.

Until recently, even the smallest farms were able to carry on, largely because of the Government's generous support prices, which make Japan's rice prices about five times world market levels. The other key factor was mechanisation. Rice is a relatively undemanding crop to look after, so small farmers gradually found they had time to supplement their income with part-time jobs. In Niigata today, 94 per cent of farm households are classified as part-time.

However, the combination of enforced rice production cutbacks and the prospect of gradually declining support prices threatens to undermine this hitherto relatively stable situation.

Take the case of the Katagiri family, which owns one hectare of rice paddies near Shirone City in Niigata. Mrs Yai Katagiri works the fields during the week while her husband drives a truck for a steel stockholder and her eldest son works in the local co-operative. They join her in the fields on Sunday and take their holidays during the peak work times in the spring and autumn. Until now, that routine has been enough to keep the farm going and to maintain a standard of living that is, more or less, similar to that of their full time farmer neighbours.

But as the Government demands more severe rice production cuts, the pressure on the Katagiris grows. Farmers used to be able to soften the impact of the cuts by growing more premium strains that yielded higher prices. But that is no longer allowed. This year, the Katagiris have had to reduce their hectarage by 20 per cent and Mrs Katagiri has no doubt that the trend will continue.

Full time farmers have responded to this pressure by diversifying into other products, such as dairy cattle, vegetables and fruits, with some government aid. The Katagiris too have started a small orchard, but they quickly realised that fruit growing was much more labour intensive than rice.

Mrs Katagiri, who is 52, is not happy with her lot, but cannot see how to get free of the tyranny of the farm. "I am too old to get a job, and renting out the land to someone else would not produce enough income for us to live on," she says. However, she knows that her children are unlikely to carry on. "They want to get out," she says fatalistically.

So far, the consolidation of small farms in Niigata has proceeded at a snail's pace. The total number of farm households has dropped from 194,237 in 1975 to 186,000 last year. If the Katagiri situation is typical, change will occur mainly when the next generation takes over control.

NZ imposes sanctions on Fiji

NEW ZEALAND said yesterday that it was immediately imposing a package of sanctions against Fiji in response to the country's change of status to a republic, Reuter reports from Wellington.

All military co-operation is ended and economic aid cut. New Zealand will also not renew in March an agreement under which it supports the price of Fijian sugar. The loss of aid and sugar supports will cost Fiji about NZ$10m (£4m) a year.

Mr Geoffrey Palmer, the acting Prime Minister, also told a news conference after a Cabinet meeting that the Government had asked Mr Rod Gates, the New Zealand High Commissioner, to return from Suva for discussions about other possible measures.

Mr David Lange, the Prime Minister, is in Hawaii on his way home from a meeting of Commonwealth leaders in Vancouver.

The package of measures follows the second Fijian military coup lead by Col Sitiveni Rabuka on September 25. Implementation had been postponed in the hope that Col Rabuka might be dissuaded from declaring a republic.

Malaysia plans a budget for growth

MALAYSIA, recovering from its worst recession since independence, is expected to announce increased public spending for 1988 after seven years of austerity, economists say, Reuter reports from Kuala Lumpur.

They say the 1988 budget, to be announced on Friday, will try to spur growth and tackle rising unemployment in the face of poor local investment.

"Our country is walking on one leg now. It has to depend on public sector investment for faster growth if the private sector is not moving," said Mr Ismail Salleh, an economist with the Institute of Strategic and International Studies, an independent research group.

Malaysia's economy grew at a rate of 1 per cent last year after shrinking 1 per cent in 1985. The Government expects 1987 growth to be less than 2 per cent, but some analysts forecast it will be nearer 3 per cent as prices for Malaysian commodity exports have risen sharply this year.

Malaysia, which became independent from Britain in 1957, is the world's leading exporter of rubber, palm oil, tin, semi-conductors and a leading producer of cocoa, timber and petroleum.

Unemployment is expected to exceed 10 per cent in 1988 compared to around 9.5 per cent this year.

Canberra ousts Hungarian

A HUNGARIAN national was asked to leave Australia earlier this month for attempting to re-export sensitive computer equipment to Eastern Europe, the Foreign Ministry said yesterday, AP reports from Canberra.

Mr Geoff Leach, Foreign Ministry spokesman, said Mr Gabor Kiska, son of the Hungarian Commercial Consul in Sydney, Dr. Ferenk Kiska, was asked to leave after being given the results of an investigation conducted by the Australian Secret Intelligence Organisation.

Mr Kiska, 27, agreed to leave the country and departed on October 10, Mr Leach said.

Mr Allan Wrigley, the Asio director general, said in a statement that information given to the Foreign Ministry concerned "a scheme to re-export high technology computer equipment from Australia, through an intermediary, to an Eastern European country."

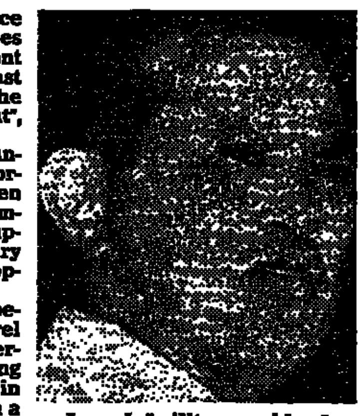
Laurel forges pact with opposition figure

MR SALVADOR LAUREL, Vice President of the Philippines said yesterday that President Corazon Aquino may not last her full term in office if she "makes mistakes left and right", AP reports from Manila.

Mr Laurel also told a luncheon meeting with foreign correspondents that he and Sen Juan Ponce Enrile were forming a "tactical alliance" to support candidates in the January 18 local elections but not to oppose the president.

Reports of an alliance between Mr Enrile and Mr Laurel fueled speculation that conservative groups were organising an "alternative government" in case Mrs Aquino is toppled in a coup. Her term expires June 30 1992, and she is barred constitutionally from seeking re-election.

"I think a great deal will depend on how she handles the situation right now," Mr Laurel said. "If she makes the right decisions, decisive moves, I think she will last the measure of her term. But if she makes mistakes left and right, she may not."



Laurel: "military problem"

Mr Laurel said he hoped Mrs Aquino would succeed because "any failure on the part of this Government will affect everybody."

The vice president refused to go into detail about his criticism of Mrs Aquino's decisions. But he said the most pressing problem was dissent in the military, which has led to the series of coup attempts.

"I believe she has made some decisions or lack of it which have brought this situation to its present state," he said. "There are many problems now facing the nation ... and the most important, most urgent and most critical problem we face is the military problem."

He said that as long as the military is disaffected, the Government cannot crush the Communist insurgency, restore law and order and revive the economy.

The vice president made his remarks one day after the Government said it had foiled a possible new coup attempt. Rebel troops believed linked to Lt Col Reynaldo Cabauatan stole an armored personnel carrier from army headquarters and abandoned it about a mile from the presidential palace.

Col Cabauatan, in a press interview, denied he was involved in the theft, and Mr Teodoro Benigno, the presidential spokesman, said the incident may have been designed to embarrass the Government and its loyal security forces.

Pro-government troops have been on alert for weeks because of fears of a new coup attempt in the wake of the bloody August 28 attacks that left at least 53 people dead and hundreds wounded, including Mrs Aquino's only son, Benigno III.

Renegade officers have vowed to continue efforts to topple her Government, which they accuse of being soft on the Communist insurgency.

In a related development, the armed forces announced yesterday the filing of mutiny and other charges against 23 military officers and 17 enlisted men in connection with the August 28 coup attempt.

EC pressed to probe Japanese plants in Europe

BY DAVID THOMAS

EUROPE's photocopying industry is pressing the European Commission to launch an anti-dumping investigation of the European plants of seven Japanese manufacturers, using a controversial new trade law.

The law, passed in June and one of the toughest international trade measures, is designed to prevent Japanese companies avoiding anti-dumping duties by setting up assembly-only plants, known as screwdriver plants, in Europe. It allows duties to be extended to imported components.

The Committee of European Copier Manufacturers, representing Rank Xerox of the UK, Olivetti of Italy, Oce of the Netherlands and Tetras of France, has now asked the Commission to launch an investigation of Japanese copier manufacturers using this law.

The complaint, which could deepen trade tensions between Europe and Japan, is directed against Canon plants in France and West Germany; Ricoh's British and French plants; Minolta, Konica and Panasonic plants in West Germany; Toshiba's French plant, and Sharp's British plant.

The European industry has told the Commission that these seven Japanese manufacturers have built, extended or announced plans for assembly-only plants since the original anti-dumping case against imported Japanese copiers was lodged in July 1985.

As a result of that complaint, the Commission imposed duties ranging from 10.1 to 20 per cent on imported Japanese copiers in February, having imposed smaller provisional duties in August 1986. If the new complaint was upheld by the Commission these duties could be imposed on imported components.

Rank Xerox said of the Japanese copier plants in Europe: 'If you look at the numbers employed and the volumes projected, it stands to reason they can't be anything other than screwdriver plants.'

As further evidence, the European industry has told the Commission that between 1985 and 1986 Japanese exports of copier parts went up a half to France and a fifth to the UK and West Germany. By contrast, Japanese exports of completed copiers to the European Community declined by a fifth over the same period.

The European manufacturers say that on present trends three-quarters of Japanese copiers sold to the EC will be assembled there by next year.

The Commission usually takes several months before receiving a complaint and deciding whether to launch a full-scale inquiry which can result in anti-dumping duties being imposed.

The only major investigation started so far by the Commission using the new trade law was one launched last month into six Japanese electronic typewriter plants in Europe.

Poles plan to widen joint venture law

By Christopher Bobinski in Warsaw

POLAND is planning to liberalise its 18-month old joint venture law, to allow Western majority shareholding and provide as yet unspecified tax and investment concessions, a Warsaw conference of the United Nations Industrial Development Organisation has been told.

The aim is to change the law by the middle of next year. Mr H. Janiszewski from Poland's Foreign Trade Ministry said at the end of the meeting that he expected some 15 joint ventures to have won official approval by the end of the year - there are now four in place.

These include a hotel project with Marriott of the US, and small ventures in the food and building materials sectors.

The conference, which was the first of its kind to be organised by Unido in Eastern Europe, drew some 170 Western companies and banks to look at about 160 Polish company projects on offer.

At the moment Polish companies are primarily interested in joint ventures as a way of acquiring Western machinery and easing bureacratic and tax restrictions.

Ironically, Western companies fear the threat of bureaucratic interefence should they go into a joint company. They are also concerned at the lack of provision for expatriating or even investing zloty profits and the requirement to resell a share of export earnings to the state.

China, with 2,000 joint ventures, has the most among Socialist countries, followed by Yugoslavia with 275. Within Comecon, Hungary is the leader with 100 such ventures, most of which were set up after regulations had been liberalised.

Bonn and Moscow set to co-operate on reactors

BY DAVID MARSH IN BONN

WEST Germany and the Soviet Union have taken a further step towards joint studies of advanced nuclear reactors, with the signing of a cooperation accord involving Kraftwerk Union (KWU), the power-generating arm of the Siemens electrical group.

Experts from KWU and the Soviet Union will work during the next 11 months to examine concepts for high temperature nuclear reactors (HTR) of 200 to 250 MW capacity, KWU said.

The accord is the latest move towards possible joint Soviet-German development of HTRs, which offer advantages in terms of safety and reliability compared with the pressurised water reactors (PWRs) in widespread use around the world.

The Soviet Union, which is searching to capitalise on foreign nuclear expertise in the wake of last year's Chernobyl mishap, is also exploring HTR technology with a rival West German industrial grouping led by the Brown Boveri engineering company.

Alfa Romeo to send first cars to Japan

ALFA ROMEO, the Milan-based luxury car maker acquired by Fiat last year, is to export 1,000 vehicles a year to Japan, Alan Friedman reports.

The deal, with the Seibu group of Tokyo, represents Alfa Romeo's first sales onto the Japanese market.

From next spring the annual export of 1,000 cars will feature four models.

CELLULAR TELEPHONE NETWORK

Europe-wide venture formed

BY DAVID THOMAS IN GENEVA

A EUROPEAN-WIDE joint venture to tackle the next generation of cellular telephone networks began to take shape yesterday, with the announcement of a collaboration agreement between Ericsson, the Swedish company which is a world leader in mobile communications, and Orbitel, the mobile communications company jointly owned by Plessey and Racal of the UK.

The Ericsson-Orbitel agreement is aimed at the pan-European digital mobile telephone system due to come into service in 1991, which is expected to generate orders running into hundreds of millions of dollars a year.

Observers believe two broad joint ventures will be formed to tackle this new market: one based around Ericsson, the second based around Motorola of the US, the other leader in the present generation of cellular equipment.

The Ericsson-Orbitel agreement is likely to be extended to take in Siemens of West Germany and Matra of France, with whom Ericsson is already collaborating in mobile telecommunications.

The General Electric Company of the UK will also probably be brought into Orbitel, and hence into the Ericsson-Orbitel venture, as part of the deal announced this month to merge GEC's and Plessey's telecommunications interests.

The Ericsson-Orbitel agreement has three main parts:

- Orbitel will market Ericsson's cellular exchange as part of complete cellular systems.

This appears to make less likely the evolution of System X, the public exchange jointly developed by GEC and Plessey, into a cellular exchange. However, Mr Mike Pinches, Orbitel managing director, said yesterday work would continue on adapting System X for cellular operation.

- Orbitel and Ericsson will collaborate in developing components for cellular base stations, though both will continue to market their own base stations.
- There is likely to be some agreement on the European markets Orbitel and Ericsson will concentrate on, though this has not been finally settled.

There may also be some further agreement on the development and manufacture of handsets for the new pan-European system.

Peter Marsh reports on satellite technology transfer barriers

China's long march into orbit

CHINA HAS to overcome the problem of the US Government's technology-transfer regulations before it can realise its aim of becoming the first country from outside the US or Europe to launch a satellite on behalf of a Western company.

The country has a total of four outline agreements with US companies for launch services with its Long March 3 rocket. It has marketed its services vigorously over the past two years, hoping to win orders as a result of the series of technical problems that have severely limited flights of Western launch vehicles.

Another possible difficulty is on a broader commercial front. Not all the companies which have placed launch reservations with the Chinese have the cash to start up their satellite services.

Only two of the four have finalised agreement on the purchase of the spacecraft they want lifted into orbit. In some cases, the process of buying the space vehicles involves tortuous negotiations with other companies which initially purchased the vehicles but which are willing to sell them off second hand.

The four concerns which have placed orders with China are Western Union, the financially-troubled telecommunications company; Pan Am Pacific, a joint venture between the Pan Am airline and Johnson Geneva, a New York company; Dominion Video Satellite, a Florida-based company which hopes to start a direct-broadcast TV service using satellites; and Universal Satellite, a company based in New York set up by Mr Henry Schwartz, a telecommunications entrepreneur.

All the companies expect launching with the Chinese, whose rocket services are marketed by a government body called the China Great Wall Industry Corporation, to be substantially cheaper than placing a comparable order with a Western company.

China's rivals in this respect are Arianespace, a French-based company which sells flights on Ariane, a West European rocket, and three US companies - McDonnell Douglas, Martin Marietta and General Dynamics - which are commercialising expendable rockets formerly operated by the US Government.

While the Western ventures plan to take satellites into orbit for $40m to $60m, China's launch prices are expected to be as low as $30m. The country is basing its commercial plans on its experiences of putting into space its own satellites, of which about 20 have entered the heavens.

The annual market for commercial launch services by 1990 will probably total about $1bn, with Arianespace responsible for roughly half the launches. It recently restarted operations after a launch hiatus of 16 months due to an engine fault.

In most cases, the US concerns with launch reservations with China have made a small down-payment, normally $100,000, with the bulk of the launch fee due to follow later. For all the planned Chinese launches, which are due for the end of 1988 or in early 1989, the transfer of the satellites from the US to China has to satisfy US arms-control rules.

In each of the four cases, the State Department has still to state whether it will permit the transfer of the satellites to China. Mr Fred Knipp, assistant vice president for satellite services at Western Union, said: 'We have applied for an export licence and we do not think it will be a problem.'

Mr Knipp said that a flight on the Long March rocket offered his company 'the best bet' for getting a satellite called Westar 6S into space in the forseeable future.

Westar 6S was supposed to have entered orbit on a space shuttle in June 1986. The Challenger explosion in January of that year, which has stopped all shuttle launches until at least mid-1988, meant the satellite was taken out of the shuttle's payload schedule.

Mr Wang Lu, senior engineer at the China Great Wall Industry Corporation, said recently in London that he hoped the technology-transfer issue would not hold up launch plans. 'China has no intention to seek any patent or technical secret in the launch activities. We hope this point could be fully understood by the companies or governments of foreign countries'.

A second company with a firm reservation to use a Chinese rocket is Universal Satellite. Here the position is complicated because the New York company plans to use the same satellite - Westar 6S - that is the subject of the Western Union launch order.

Mr Schwartz of Universal Satellite said he hoped to buy the vehicle from Western Union. Mr Knipp of Western Union agreed that discussions with Universal Satellite had taken place but that nothing had been agreed.

Dominion Video Satellite, meanwhile, plans to use the Chinese rocket to put the company's first space vehicle into orbit around the end of 1988, said Mr Robert Johnson, company chairman.

However, this depended, said Mr Johnson, on Dominion purchasing the satellite from another company, Comsat, an established US telecommunications concern. If the Comsat deal fails to go ahead, said Mr Johnson, Dominion would proceed with plans to buy two satellites from Hughes Aircraft, which would then be launched around 1991, with the launch vehicle as yet unspecified. The purpose of the China agreement is, according to Mr Johnson, to permit Dominion to start its satellite TV service, which is due to broadcast evangelical programmes 24 hours a day to all parts of the US, sooner than would otherwise be possible.

The final customer for the Chinese is Pan Am Pacific, started by Mr Michael Johnson, a former film producer (who is not related to Dominion's Mr Johnson). He plans to use the Long March vehicle to put into space a second-hand satellite he is in the process of buying for $20m from a group of London insurance brokers.

Hong Kong Light Rail Transit System

THE Financial Times regrets that it was incorrectly reported on October 7 that a consortium of Australian companies led by Leighton Construction (Asia) had withdrawn from a contract to build the first phase of a light rapid transit railway system in Hong Kong's western new territories.

The Leighton consortium won the contract to build the HK$23.5m LRT system in July 1985 after a fierce international bidding contest. It bid in partnership with the Metropolitan Transit Authority (MTA) of Victoria, which operates Melbourne's light rail system, one of the largest in the world.

Under an ancillary contract, the consortium was to have participated in the construction and development of an LRT terminus at Yuen Long but it has withdrawn from this contract following a three months dispute over the suitability of land to be used for the development which will include residential and commercial buildings.

The Kowloon-Canton Railway Corporation (KCRC), which is responsible for the LRT project, and Sun Hung Kai estate developers, plan to proceed with the project and a three month investigation has been launched into whether cavities discovered beneath the proposed site jeopardise the development.

Despite withdrawal from the terminus contract, the Leighton consortium will press ahead with work on the railway itself, and plans to complete work on schedule in the middle of next year."

Peking cuts trade deficit

CHINA cut its trade deficit for the first nine months of this year to $2.7bn from $8.96bn in the same period of 1986, the State Statistics Bureau reported yesterday, Reuter reports from Peking.

The bureau said that exports were up 23.9 per cent to $26.5bn, while imports were down 3.8 per cent to $29.2bn.

It added that the improvement was due to appreciation of the Japanese yen and other foreign currencies, rising oil prices and China's policies to encourage exports.

Trade with the Soviet Union was up.

US attack seen in the Gulf as an anti-climax

BY TONY WALKER IN DUBAI

IN THE Gulf, the US attack on an Iranian oil platform has proved to be almost an anti-climax. The region had been bracing itself for something more substantial.

Most speculation about possible targets had focused on Iranian missile sites in the northern Gulf or one of the islands used as a Revolutionary Guards base.

The strike - by four US warships against Rostam oil platform, 200 kilometres, south of Bahrain - is seen by Western officials and shipping sources in the region as a relatively restrained action. They say that it is hardly commensurate with the provocation of last Friday's missile strike against a US-flagged vessel in Kuwaiti waters in which 18 crewmen including the American captain were injured.

The US appears to have chosen Rostam because of its isolated location, its lack of protection and the fact that it can be represented as a target of strategic value to Iran.

The platform, which measures about 300 square feet, was used as a launching pad for helicopters, as a radar facility and as a base for Revolutionary Guards units. It has long ceased to have any value to Iran as an oil production facility. Rostam, together with the nearby Sassan platform, has been attacked repeatedly by the Iraqi air force, according to shipping sources.

Few observers in the Gulf expect the US action to stop conflict in the waterway. They see the attack more in terms of an interim measure. "Unless it stops them, they've got to take out the missile sites," said a Western official.

Gulf shippers don't expect the US attack to make much impact on traffic in the Gulf. It will be viewed, they say, as "more of the same." According to one source, the US warships demolished the platform with 1,000 rounds of five-inch shells, virtually obliterating the structure.

Operation may be bigger than Washington admits

BY RICHARD JOHNS

THE DESTRUCTION by US naval forces in the Gulf yesterday of at least one Iranian off-shore oil production platform was made to look a cautiously calculated response to the missile attack on a US-registered tanker in Kuwaiti waters last Friday. But the operation may have been bigger than admitted by Washington.

Production facilities hit by the US task force involving four destroyers - the USS Kidd, Young, Leeftwich and Hoel - were said by Mr Caspar Weinberger, US Secretary of State for Defence, to be limited to the the Rostam platform.

It was understood last night, however, that the neighbouring Sassan facility had also been hit. Western intelligence officials said that both platforms were loaded with tracking and communications equipment of crucial importance for the Iranian Revolutionary Guards attempting to impede shipping traffic servicing Kuwait and Saudi Arabia.

Reports from the Gulf indicated that an attempt had been made to wipe out the whole complex centred around Lavan Island, which had a total production potential of over 200,000 barrels a day, or nearly one-tenth of recent Iranian output.

It was clear, though, that the US retaliation was aimed at wiping out bases from which the Iranian Revolutionary Guards have been mounting attacks on shipping bound for Arab ports inthe Gulf.

Shipping executives in the Gulf said yesterday that the Rakhsh platform as well as Sassan, the latter an oil field straddling the median line with the United Arab Emirates, had also been the target of US attacks.

How the conflict developed

The following is a brief chronology of US/Iran conflict.

January 15, 1979. Shah leaves Iran after widespread riots and strikes, never to return.

February 1, 1979. Ayatollah Khomeini returns to Tehran from exile in Paris to a tumultuous welcome.

November 4, 1979. Iranian Revolutionary Guards invade the US embassy in Tehran, taking more than 50 Americans hostage.

April 25, 1980. Abortive American rescue attempt of embassy hostages in Iran.

September 20, 1980. Iraqi troops move into Iran. Full-scale war begins.

January 20, 1981. Iran frees 52 American hostages after 444 days in captivity.

October 23, 1983. Suicide truck bomb attack against US Marine base in Beirut. 241 Marines killed.

August, 1985. President Reagan verbally approves sale of weapons to Iran.

January 17, 1985. Mr Reagan signs secret authorisation for shipments of weapons to Iran.

April 15, 1986. US bombs Libya.

November, 1986. News of secret arms deals with Iran breaks. Lt Col Oliver North is dismissed. Admiral John Poindexter resigns.

January, 27, 1987. Mr Reagan provides details of Iranian initiative. Admits to serious mistakes.

May 17, 1987. USS Stark hit by Iraqi missile in the Gulf. 37 crewmen killed.

July, 1987. US begins escorting re-flagged Kuwaiti tankers in the Gulf. Massive naval build-up begins.

July 20, 1987. UN Security Council calls for an immediate ceasefire in the Gulf war and withdrawal to pre-war boundaries.

July 31, 1987. Riots in Mecca. 275 Iranan pilgrims die.

September 11-14, 1987. Mr Perez de Cuellar, the UN Secretary General, visits Baghdad and Tehran. Mid-September. Iraq resumes attacks on tankers, ending a 46-day *de facto* truce in the Gulf.

September 22, 1987. US helicopters rocket Iranian vessel caught laying mines north of Bahrain, leaving it "dead in the water."

October 8, 1987. US helicopters sink three Iranian patrol boats near Farsi Island in the northern Gulf.

October 16, 1987. Iranian Silkworm missile slams into American-flagged Sea Isle City off Kuwait.

Bad blood between US and Iran

BY TONY WALKER

IF A book or television series comes to be written about America's tortured relationship with post-revolution Iran, it would be tempting for the authors to entitle it simply: Bad Blood. It is hard to imagine a relationship between countries could have become so viscerally unpleasant, and in some ways irrational.

Symbols play a role in perpetuating a cycle of hostility that appears at times without logic. Thus, in American eyes conditioned to a degree by television, Iran is ruled by a cabal of crazed mullahs. Iranians are told that their enemy is the Great Satan. Opposition to the ungodly US is one of the touchstones of the revolution.

At the entrance to the Ministry of Islamic Guidance, which acts as guardian for foreign journalists on assignment in Iran, tiles have been laid on the floor depicting the American, Israeli and Soviet flags.

Callers are obliged, unless they wish to play hopscotch, to trample on these symbols. Needless to say, the US flag is placed in the centre and has suffered most wear and tear.

On the wall of the former US embassy in Tehran, known colloquially as the "nest of spies", posters and calligraphy denounce the "Great Satan."

While there is ample evidence that many Iranians are not much impressed by such crude propaganda, anti-American slogans still serve as a useful rallying cry for the revolutionary leadership.

Bad blood between Iran and the US is not simply, of course, the product of propaganda. Ever since the pro-American Shah of Iran was ousted in early 1979, relations have been deeply scarred.

Iran, in some way or other, has administered humiliations to successive Administrations. These provocations stretch in an almost unbroken line from the taking of US embassy personnel hostage in Tehran in 1979 to the Iran-Contra affair. The former helped to destroy the Carter presidency. The latter undermined Mr Reagan's authority.

The holding of American officials hostage in Tehran for 444 days between November 1979 and January 1981 caused singular repugnance in the US. Almost nightly television bulletins about the fate of 52 Americans held against their will by Iranian militants helped to reinforce prejudices. The hostage crisis became a long American nightmare. An abortive rescue attempt which ended in flames and confusion in the Iranian desert in April 1980, and prompted the resignation of Mr Cyrus Vance, the Secretary of State, added to the sense of frustration and anger.


Fadlallah: blessed bombers?

The truck bomb slaying in October 1983 in Beirut of 241 American Marines by a pro-Iranian group further contributed to a state of almost unrestrained hostility between Washington and Tehran.

US officials in the region talk venomously of the role allegedly played by Sheikh Hussein Fadlallah in the truck bombing. According to the Americans, Sheikh Fadlallah blessed the bombers on the night before their fatal mission. In 1985, a massive bomb exploded near Sheikh Fadlallah's residence in Beirut. The CIA had sought to hit back using local assasins, and had failed in its objective.

On the Iranian side, recent US miliary action against it, culminating in yesterday's strike, will merely serve to deepen enmity. The conflict has now moved well beyond symbols and slogans. As long as the present Iranian regime survives, so, it seems, will an appetite for revenge. There is almost unlimited further scope for conflict in what has the makings of a long hisorical dispute.

Reagan keeps Congress informed

By Lionel Barber in Washington

A STRIKING aspect of the US naval attack against Iran which emerged yesterday was the degree of consultation over the weekend between President Reagan and Congressional leaders.

For a man who has made his political career attacking Capitol Hill, Mr Reagan has lately been careful to keep top Democrats and Republicans informed about Gulf operations. Yesterday the chief White House spokesman Mr Marlin Fitzwater said Congress would receive a formal report within 48 hours, as occurred after this month's US helicopter strike against Iranian gun boats in the Gulf.

Mr Reagan is trying to stave off Congressional pressure on him to invoke the 1973 War Powers Resolution Act, which sets a 90-day clock running after which Congress can withdraw US forces - unless it approves the troop deployment.

Mr Reagan, like the previous three US presidents, believes the act is unconstitutional and unduly restricts executive power in rapidly-moving military and diplomatic situations. He has argued that US troops are not deployed in an area of "imminent hostilities," and that the act therefore does not apply.

In the continuing absence of any form of congressional vote supporting the Administration's Gulf policy, President Reagan is straining the allegiance of Democrat and Republican lawmakers. In the event of US casualties, both the President and the majority Democrats will have to choose whether to break this uneasy alliance and go their separate ways.

That would endanger the future of the US naval escort mission in the Gulf.

Kuwait seeks means to combat Silkworms

KUWAIT HAS begun discreetly shopping around for an air defence system to combat Chinese Silkworm missiles that are menacing ships in its harbour and, even more worrying for the Kuwaitis, threatening their huge oil installations, **Tony Walker** writes.

The missile attacks last Thursday and Friday on ships in Kuwaiti waters are forcing Kuwaiti officials to focus on the need for additional air defence measures. The attacks on shipping late last week followed similar incidents last month.

On September 5, a Silkworm narrowly missed Kuwait's Mina al Ahmadi refinery and storage complex - one of the largest in the world. A missile strike against highly inflammable propane gas storage tanks could cause an uncontrollable fire, threatening residents of a nearby suburb.

Kuwait is virtually defenceless against the Chinese Silkworm surface-to-ship missiles, which carry a 600-kilogram explosive warhead, three times that of an Exocet.

A western official in Kuwait said that the Kuwaitis have been talking increasingly of the need for a missile counter-measures capability.

A representative of one western country with a sophisticated air defence industry said that while Kuwait had not yet made a formal request for assistance it was "not unlikely we'll get that sort of request fairly soon."

He said that Kuwaiti officials were discussing openly the need for a system to combat the new missiles menace on the adjacent Faw Peninsula less than 50 nautical miles away.

Countries likely to be approached include Britain, the US, France or Italy. Kuwait's news agency, Kuna, reported that Sheikh Salem al-Sabah, the Defence Minister, met Rear Admiral Harold Bernsen, the commander of US forces in the Gulf on Sunday to discuss increased military co-operation. Sheikh Salem also had separate meetings at the weekend with the US and French ambassadors and the chief of the French air force.

Diplomats in Kuwait report a mood of deep anxiety in the tiny emirate at recent developments. Iran began installing Silkworms on Faw in the middle of the year. The first hint that Iran was prepared to use the surface-to-ship missiles against Kuwait came early in September when it launched three of them against the tiny emirate.

A representative in the Middle East of a company manufacturing electronic air defence systems said that acquiring an anti-missile capability was "very complicated and expensive." He said Kuwait would need a flexible anti-missile capability.

Remoteness is no barrier

Charles Batchelor visits companies in the sparsely populated Highlands and Islands

IF YOU HAD a choice of where to set up a company making fridge-freezers it is unlikely you would pick Castletown in Caithness, Scotland's northern-most mainland county. Castletown, a community of some 800 people, has no other manufacturing industry and is 200 road miles from the nearest large centres of population - Glasgow and Edinburgh.

Despite these drawbacks, Pat and Alex Grant have built their company, Norfrost, into what they claim is Europe's largest manufacturer of fridge-freezers. They currently turn out 190,000 a year, 90,000 for export, and see a market potential for 600,000.

With anticipated pre-tax profits of £1.5m on sales of £10m in their current year, they are planning an Unlisted Securities Market flotation within the next 18 months.

The Grants have defied the disadvantages of their remote location through a combination of determination, ingenuity and a distribution operation managed with military precision. Much of the production line was designed and built in-house by Alex Grant. The company's machine shop can carry out most repairs but, just in case, the factory carries a 10-week stock of most freezer components. The transport fleet is worked so efficiently that the fridge-freezers - in transport terms bulky air-filled boxes - can be delivered anywhere in the UK for a freight cost of just £2 each.

Norfrost overcame the disadvantages of its remote location largely because of the determination of the Grants to make a go of it in their own home town. But for locals without their drive or outsiders with no local commitment the Highlands and Islands can represent a forbidding business environment.

To help overcome this The Highlands and Islands Development Board, Britain's first development agency, was set up in 1965. It backed more than 1,500 companies last year with an average of £12,500 each in grants, loans and equity and can expect to write off about 9 per cent of those loans on projects which fail.

Few of these companies will ever match Norfrost in size but small-scale solutions offer the best hope for the region's scattered communities which have seen the failure of larger, more ambitious projects.

The Board believes other sparsely populated parts of the world could benefit from its experience and recently entertained a delegation from Finland keen to see how it worked.

With just 365,000 people spread over half of Scotland's land area (making it the most thinly populated region in the European Community) the problems it faces are enormous. The cost of establishing transport and communications links within the area are high and once the goods have been produced there remains the difficulty of reaching even domestic markets several hundred miles away in south-east England.

Telecommunications links in the region need to be upgraded to take the data links required by many businesses and the Highlands Board has been lobbying British Telecom for such improvements.

The board has had some success backing companies making small, high-value products which sell in world markets. Osprey Electronics, a Wick, Caithness-based manufacturer of underwater cameras and military night sights, sees no disadvantage in manufacturing far from its customers. Transport costs form only a small part of its costs.

Based on an industrial estate next to Wick airport, Osprey can airfreight its equipment to customers around the world. But while it has no problem finding or training a high quality labour force of technicians and craftsmen, David Thomson, the managing director, acknowledges difficulties in attracting design engineers and electronics specialists so far north.

"We are the only company using those skills here so if people decide they don't like us after all, they have to go south again," he says. For this reason Osprey has established its design office in Aberdeen.

The sheer size of the Highlands and Islands and the development board's need to promote the whole area has meant it has felt unable to encourage clusters of, say, electronics, companies in one area. It cannot recreate the conditions which have attracted many companies to Silicon Glen further south.

Nevertheless informal groupings do occur. Gaelfec Research, which makes medical diagnostic equipment, and Diagnostics and Monitoring Systems, which designs equipment to predict breakdowns in industrial machinery, are within yards of each other on a small industrial estate in Dingwall near Inverness.

"We help out other electronics companies with components and so on," explains Ross Maxwell, a director of Gaeltec.

Despite - or perhaps because of - the lack of an industrial tradition local small firms are strong in their praise of their labour forces. An important reason for this is the high level of unemployment; around 17 per cent generally and as much as 25 per cent in blackspots such as Invergordon - where an aluminium smelter closed in 1982 - and Fort William, where a pulp mill was shut down.

Zonal, a manufacturer of professional recording tapes, moved part of its operations from Redhill in Surrey to the shadow of the mothballed Invergordon smelter when it found it difficult to recruit more staff in the south-east.

Seven hundred people applied for the 20 jobs on offer, many of them "dramatically overqualified," notes David Quinton, the general manager. The company expects to take on an extra 30 people by the year-end while more jobs should be created by the decision of Zonal's packaging supplier to open a factory nearby.

Wage rates in the area are not necessarily much lower than elsewhere in the country. Zonal pays the same rate in Scotland as in Surrey while Norfrost says it pays its production line staff £140 a week, including bonuses, to match rates offered at the nearby Dounreay nuclear power station.

Dounreay has had an influence on the local business community in other ways too. A number of former technical and professional staff - including the founder of Osprey Electronics - have set up small businesses. "Dounreay is the nearest thing we have to a university in the Highlands," comments Bob Cowan, chairman of the Highlands Board.

An important factor for people who have set up businesses in the area is the quality of life. Zonal's David Quinton says his children get much better attention in the local school and he also feels safe letting them roam the local countryside. Before, he was wary of letting them play in the street.

A number of local companies have been founded by incomers to the region who visited it on holiday and were impressed enough to come back to work.

Gaeltec's Maxwell reports that his Japanese distributor brings his top salesman along for a few days' fishing and golf when he makes his annual visit.

Some companies, in fish farming or forestry products, have come to the region because of local raw materials. Highland Forest Products set up a plant near Inverness in 1983 to make wooden building panels for use in packaging and house construction.

Using a technique developed in the US the company is currently turning 160,000 tonnes of locally-grown Scots pine into board, which it believes will replace imported plywood as a building material.

Highland Forest Products required an initial investment of £12.5m - more than most local business ventures - and will need a further £17.5m to double production capacity over the next few years. The company was set up by an experienced management team which was able to raise funds from investors such as British & Commonwealth Holdings, 3i and the Scottish Development Agency.

Although some local small firm managers complain of the difficulty of raising funds, this is no more of a problem than it is for companies elsewhere in Britain.

The Board attempted some years ago to set up a venture capital company but failed - because it could find no suitable ventures to back.

"Projects in the Highlands are too small to need venture capital money," says Cowan.

There appear to be no large-scale solutions to the region's economic problems. But, despite the difficulties which remain, the Board believes that support for small business has played a part in reversing a process of depopulation which had lasted for more than 100 years.

Highlands and Islands Development Board, Bridge House, 27 Bank Street, Inverness IV1 1QR. Tel 0463 234171.

Osprey's underwater cameras (left) can be airfreighted anywhere in the world from its base next door to Wick airport, while the freight cost for Norfrost's freezers (right) to anywhere in the UK is £2

A creditable performance

Charles Batchelor explains how a young ballet company is building up its commercial reputation

WHEN THE company Janet Lewis worked for was faced with closure, she decided - like a growing number of enterprising employees in a similar position - that she would try and make a go of it herself. By slimming down the operation it could be made to pay, she felt.

Her problem was that, unlike many more conventional businesses, there were limits to running a ballet company on a shoestring. But, despite the obstacles, Lewis has, over the past three years, created a viable business out of the near-collapse and has ambitious plans for growth.

She was thrust into a business career when the Adeline Genee Theatre in East Grinstead, Sussex, decided it could no longer keep up its loss-making Genee Ballet offshoot, where Lewis was artistic director. The ballet company had reduced its size from some 30 to just 10 dancers to cut costs but its policy of commissioning modern works imposed a heavy financial burden.

Lewis decided to run her ballet as a touring company with just seven dancers, one musician and two stage crew. It sticks to mainly classical works which are cheaper to produce and for which there is an established audience.

The Lewis London Ballet Company tours the country presenting full-length ballets such as The Nutcracker as well as evenings of shorter pieces. It is the smallest and youngest of the eight professional ballet companies in Britain.

From an early stage Lewis and her main partner in the venture, Alan Watson, a dancer with the Genee Ballet, realised they needed professional advice if their venture were to succeed. They began working their way through the Yellow Pages entry for marketing consultants until they came to Rhys Jones Marketing, a small consultancy in Greenwich, south-east London, which specialised in developing new technologies and new ventures for industrial clients.

"I told them I didn't think I could help but they said that everyone else had told them that," recalls Rod Rhys Jones. Initially reluctant, Rhys Jones says he was impressed by the commercial approach Lewis and Watson had already taken. "They already knew the answers to questions like how many venues around the country would be suitable for their company." Nevertheless, he did advise them to sell themselves to provincial theatre managers on their commercial as much as on their artistic strengths.

"The most important thing for the manager of a leisure centre in the provinces is the security that on the night the ballet company will not only be there to perform but will perform in a way which will do credit to his programme," comments Rhys Jones.

Watson, who handles the marketing side of things as well as continuing to dance, now mails 1,200 theatres twice a year promising "honest, economic, joyous ballet" and quoting not ballet critics but theatre managers saying: "Now I know the standard I'll be happy to have you back."

An important part of the marketing strategy has been to involve children from local ballet schools in the performance as an informal corps de ballet. The young dancers are auditioned and coached and apart from gaining from the experience they usually guarantee that a large number of parents and friends will buy tickets on the night.

Costs are kept low by preparing sets in-house; and timetables are drawn up so that theatres on the way back from distant engagements can be called upon and the managers persuaded to book the company for a future visit.

After a difficult start - the company's scenery lorry broke down, almost bankrupting the venture - audiences have built up and theatre managers know they have an evening that is popular with the public.

Turnover is expected to rise to between £85,000 and £120,000 in 1987 from £55,000 last year. It moved in to profit at the end of last year but invested the surplus in its new production of The Nutcracker.

Company members are not yet earning what they could with a more established troupe but Lewis is confident they will do so in two to three years' time when there is a profit-sharing scheme in place.

Like the other smaller ballet companies, the Lewis London gets no Arts Council backing. Lewis says she does not want to depend on a subsidy which would be vulnerable to Government cuts and since the company is now making a small profit it would anyway not be eligible.

It has been looking for sponsorship though and the Woolwich Building Society funds the printing of programmes. Plans for the future are ambitious and include the sale of videos of performances, increased front-of-house sales, a practice studio which might grow into a ballet school and Continental tours.

Janet Lewis and Alan Watson: to introduce a profit-sharing scheme

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FT LAW REPORTS

Parallel import issues go to Europe

REGINA v PHARMACEUTICAL SOCIETY OF GREAT BRITAIN, EX PARTE ASSOCIATION OF PHARMACEUTICAL IMPORTERS

Court of Appeal (Lord Justice Kerr, Lord Justice Ralph Gibson and Lord Justice Russell): July 30 1987

NATIONAL RULES preventing pharmacists from substituting medicines lawfully imported from the EC for prescribed UK drugs which are therapeutically identical but bear a different name, may contravene EC law, and raise questions of EC law which the European Court is in a better position to decide than the English courts.

The Court of Appeal so held when referring questions on articles 30 and 36 of the EC Treaty to the European Court of Justice for a preliminary ruling in proceedings for judicial review by the Association of Pharmaceutical Importers against the Pharmaceutical Society of Great Britain and the Secretary of State for Social Services.

Article 30 of the EC Treaty provides: "Quantitive restrictions on imports and all measures having equivalent effect shall...be prohibited between member states." Article 177: "The Court of Justice shall have jurisdiction to give preliminary rulings concerning: (a) the interpretation of this Treaty...where such a question is raised before any court...that court...may...request...a ruling thereon."

LORD JUSTICE KERR said that the case was concerned with the prescription and dispensing of proprietary medicines.

The Association of Pharmaceutical Importers was founded to take advantage of the Product Licence (Parallel Import) (PL(PI)) scheme, which was adopted throughout the EC, and which was introduced into the UK in 1984.

A PL(PI) licence required that the product must be authorised in the EC state from which it was imported, must have no therapeutic difference from a product already covered by a UK licence, and must be made by the same manufacturer or group as the UK product.

PL(PI) licences covering about 220 pharmaceutical products had so far been granted. About 50 of them were marketed under different names in some of the EC countries. Thus, the PL(PI) counterpart of the UK drug X would be named Y though the appearance might be identical or similar.

The present litigation was concerned only with trade names, not appearances. The question was whether pharmacists should be permitted to dispense PL(PI) drug Y against a prescription for UK drug X.

The Association's case was that differences in name should be irrelevant. It pointed to the crucial requirement of a PL(PI) licence that imported product Y must be no different in therapeutic effect from domestic product X.

Its unchallenged evidence was that the 50 products were widely imported and marketed until the position changed dramatically in the summer of 1986.

Then the Pharmaceutical Society published an official statement that Guidance Notes of 1984, which stated that a pharmacist should not substitute a product "for a specifically named product," applied to imported medicines.

At about the same time the DHSS treated the "Terms of Service for Chemists," which provided that "a chemist shall supply...such drugs as may be so ordered," as precluding chemists from dispensing PL(PI) product Y against a prescription for UK product X.

The Association sought to challenge those measures by judicial review, on the ground that they infringed article 30 of the EC Treaty.

The question was whether the actions of the Society and the DHSS were "measures having equivalent effect" to "quantitive restrictions on imports," so as to infringe article 30.

The Divisional Court answered the question in the negative. The Association appealed.

Its primary submission was that instead of considering the merits of the application under article 30, and if necessary the defence under article 36, the court should refer all the issues to the European Court of Justice under article 177 of the Treaty.

For the purposes of article 177 the issue was not whether the present court agreed with the Divisional Court's conclusion, but whether that conclusion was so clearly correct *acte clair* that it would be unnecessary and inappropriate to refer it to the Court of Justice.

The Divisional Court said "the strength of the applicant's contention is readily apparent."

However, it concluded that no infringement of article 30 had been established, because, *inter alia*, a doctor had the right to prescribe any product he believed would suit the customer, and a parallel import with a name different from that of the domestic product was a different article, though therapeutically and visually identical. A change of name might cause anxiety to the patient.

Many arguments could be advanced against the view that the decision of a doctor should be treated as sacrocant when he prescribed UK product X rather than PL(PI) product Y.

The Association made the point *inter alia* that National Health doctors were not wholly independent, but formed part of a state system. Their freedom of choice in relation to NHS prescriptions was already circumscribed - there was a vast number of products they were not permitted to prescribe by name, but only generically.

By dispensing PL(PI) product Y against a prescription for product X, the chemist was not overriding the doctor's decision, it was argued. If the therapeutic effect of X was equivalent to Y, the dispensing of Y involved no infringement of the doctor's supremacy. The jurisdiction of the Court of Justice in favour of upholding the principle of freedom of goods enshrined in article 30 was very strong.

Those were powerful arguments in the context of the jurisprudence which had been applied to uphold the objective of article 30.

Because of the Association's request for a reference, the perspective in the present court was necessarily different from that which applied below.

A reference under article 177 only arose for consideration if a national court was faced with a question concerning interpretation of the Treaty, and if it considered a decision on the question was necessary to enable it to give judgment.

Although *acte clair* was primarily applicable to cases in which the answer to a particular question was already covered by a decision of the Court of Justice, is was equally applicable where there could be no doubt about the correct answer.

The court had an unfettered discretion whether to refer the case. Many factors might be relevant in considering the exercise of the discretion.

In *Samex* [1983] 1 All ER 1042 Mr Justice Bingham said it was a material consideration that the Court of Justice had "a panoramic view of the Community and its institutions, a detailed knowledge of the treaties...and an intimate familiarity with the functioning of the Community market which no national judge...could hope to achieve."

Those considerations were of great relevance in the present cases.

The free movement of pharmaceutical products had already attracted a great deal of attention in the jurisprudence of the EC, with the objective of achieving common practice or similar results in all member states.

The present parties were unable to tell the court how problems raised by the case were dealt with in other EC countries. The European Court would have access to the information, since it was likely to have the benefit of observations from other member states and the Commission.

English authorities showed that the courts should exercise great caution in relying on *acte clair*. In *Polydor* [1980] 2 CMLR 413 the Court of Appeal expressed strong views about the apparently clearly correct answer to a question of EC law. It nevertheless referred the case to the Court of Justice, and the ultimate decision was the other way.

In the light of those considerations, there was no doubt that the present case was wholly appropriate for reference. Any other outcome would be plainly wrong. The correct answer under EC law to the article 30 issue was miles away from *acte clair*.

There could equally be no doubt that the case was of importance to the Community in general, and that the Court of Justice was in a far better position to reach a decision which was "communitaire" than the present court. There were no countervailing logistic reasons for declining to make a reference.

With regard to article 36, which excepted restrictions justified on the ground of protection of health from the prohibition in article 30, the existence of conflicting views as to the effect and importance of the anxiety factor was not a valid argument against reference, as was asserted by the respondents.

The appeal was allowed to the extent of ordering a reference in relation to articles 30 and 36, before ruling on the Association's request for judicial review.

Lord Justice Ralph Gibson and Lord Justice Russell agreed.

For the Association: David Vaughan QC and Derrick Wyatt (SJ Berwin & Co)

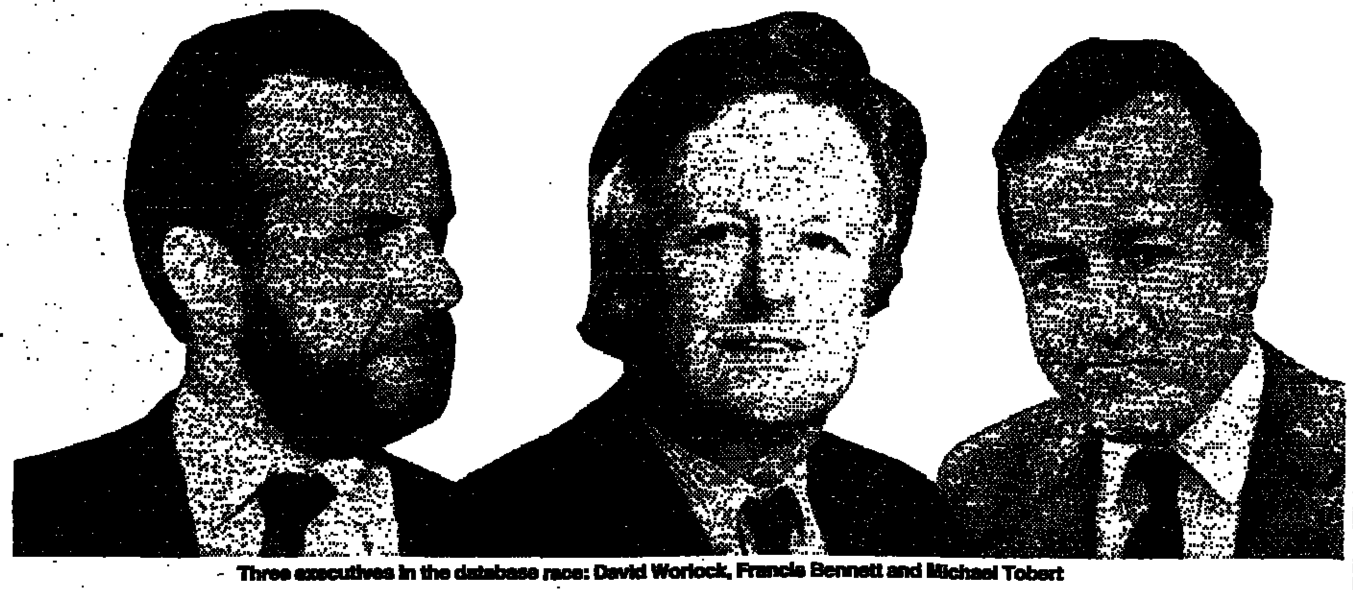
For the Pharmaceutical Society: John Peppitt QC and Robert Webb (Walker Martineau & Co)

For the Secretary of State: John Laws and Nicholas Paines (Treasury Solicitor)

By Rachel Davies
Barrister

TECHNOLOGY

Jane Rippeteau reports on the growing potential for marketing information



Three executives in the database race: David Worlock, Francis Bennett and Michael Tobert

Publishers' wares peddled at a keystroke

WHEN THE Penguin publishing group bought Thomson Books in 1985, Francis Bennett, head of the house that included such premier imprints as Michael Joseph and Hamish Hamilton, decided not to stay. "If you've been a group managing director," he says, "it's impossible to work for somebody else."

Besides, Bennett had an idea.

From his career in book publishing, he believed there was an unfulfilled need among book buyers. "There's a change in the demands of people who buy books," he says. "They want not just a publishers' catalogue. They want to scan across a whole range of publishers, with a description of contents and in precise subject areas." He saw the greatest need among foreign book buyers, who spend £750m of the UK's £2bn in book sales.

Today, Bennett is on the verge of joining the thousands of hopefuls who have struggled to launch successful electronic databases. With Book Data, an electronic bibliographic service which begins operations early next year, he is also among several traditional publishers in the UK who are attempting to fashion ways of repackaging and reselling their information electronically.

"The arrival of electronic processing into publishing has hyped up the information industry," says David Worlock, a former executive at International Thomson, who in 1985 founded Electronic Publishing *Services, a London consultancy.* "Investors," he adds, "see electronic information as a much more tradable commodity."

Indeed, Bennett was able to attract venture capital backing from BBHQ, a joint firm set up by Baring Brothers and Hambrecht & Quist. BBHQ's Jeremy Brassington says that the ability, through electronics, to make new use of existing information will lead "more and more to the exploitation of databases in a number of quite mature marketplaces."

Bennett is aiming to have 150,000 titles on his database at its launch. Details on book price and availability will be regularly updated. And, he says, "every item will be a search criterion. If somebody wants to know all the books with chapters on a particular topic, costing between £10 and £15 and published in paperback in the last six months, we can do it."

He says this is possible because the system uses flexible, relational database software.

Thirty-five publishers or publishing groups are already committed to listing their titles on Book Data. The head of one of them calls it "one of the most refreshing ideas to come through British publishing." Brassington says: "There is a gap that's going to be plugged. This gives considerably easier access to data for buyers and gives publishers an increased marketplace for their products."

Bennett says he initially expected the bulk of his customers to be foreign buyers, who supply libraries and retail outlets and need to know about the *availability of new UK books.* To his surprise, domestic interest from major booksellers and the big chains has been much higher than anticipated.

In addition, publishers say they are interested in the database as a way of doing searches on what books are already out on subjects under consideration.

For new titles, Bennett will charge publishers £6 for each listing up to the first 100. After that, prices drop and backlisted titles cost even less. Prices for customers - retailers, library suppliers and foreign book importing companies - are about to be announced. Initially, the database will not be on-line, that is users will not access it directly. Instead, Book Data staff will research subscribers' requests.

More experienced in the tricky business Bennett is about to enter is Michael T. Tobert. In 1982, Tobert founded a publication in St. Andrews, Scotland, dealing with the problem of transferring ideas from UK universities into the industrial sector for commercial purposes.

Spurred by government studies supporting the idea of a database, Tobert got involved in developing a product called BEST, for British Expertise in Science and Technology. In 1985, his company, Cartermill, was bought by UK educational publishers Longman and, in 1986, *with Tobert now managing* director of Longman Cartermill, BEST was launched.

The service lists research in UK universities, polytechnics and institutions. Tobert believes that so far he has covered about two thirds of all projects under way in the core sciences.

He will not specify how many subscribers he has to date, saying only that demand has grown very encouragingly. At the Science and Engineering Research Council, which supplies information for the service and also became a user this year, Mel Veal, head of research grants in the finance division, praises the service: "It makes it easier for people to find out what work is done where, and to place their hands quickly on the expertise in the UK."

Tobert has been confident enough with the project to launch a follow-on database *that will list several thousand* university PhD and post-doctoral scientists working in the UK. He expects the service to have a market among industrial companies seeking to hire individuals with particular expertise. A pilot launch was a hit. "If the response so far is anything to go by, I think it will go an absolute bomb," he says.

Still, the electronic database business remains a tricky one. Tim Rix, chairman and chief executive of Longman Holdings, says of the BEST project: "We approached this with a lot of caution. It got off to a slow start but no slower than planned for."

A slow start has plagued most of the several thousand electronic databases estimated to be in operation worldwide. Of the total, most of which are in the US, a small percentage account for the lion's share of revenues, according to Martin Brooks, director of information services for the Financial Times Business Information company.

"Very few are money-spinning," says Brooks. Pitfalls in*clude a lack of market focus and* underestimating the costs and complexity of getting information from those who own it.

Brooks's activities expanded recently when the Financial Times bought from Thorn EMI one of the largest UK databases, Datasolve Information Online, for £10m.

Executives involved in the electronic database business emphasise that picking niche markets that fulfill a real need can be the key to success. Tobert, of Longman Cartermill, points out that his UK research-locator service can be an alternative to a company having "to hire somebody to wander around Britain" to find out what is going on.

He says the service has already generated interest among US customers and that he is in discussion with an American university about setting up a similar database for the school.

Done well, electronic databases have a built-in profit advantage, says Worlock of Electronic Publishing. Once information is captured electronically, "it is saved, researchable, retrievable, manipulatable information. There are all sorts of ways of getting new value out of one piece of keystroke. The book outcome is only one outcome."

Setting up a knowledge store

THIRTY FIVE publishers have banded together with the intention of starting an electronic database service, called Knowledge Warehouse, that would capture and store in a digital CD-ROM memory the content of all their books on scientific, medical, legal and other "knowledge" subjects.

With the advent of electronic publishing systems, more than 80 per cent of such non-fiction books are in electronic form at some stage of production, according to Robin Williamson, project director. Normally, however, this electronic resource is discarded once the book is published. Williamson says: "We want to keep this archive for posterity." He also believes it could provide "material for entrepreneurial activity" in repackaging the information for new markets.

The group is finalising initial funding.

Car mirror

A glaring gap

BY JOHN GRIFFITHS

TWENTY-SEVEN young Scots, many off the dole queue, have begun producing in jobs-starved Greenock one of those seemingly simple motoring innovations which, if vehicle makers think it worthwhile, might just earn its inventor a fortune and put many more in work.

Former welding inspector Tony Stewart says he conceived the idea for his electronically-controlled, automatically-dipping, anti-dazzle rear view mirror more than six years ago, after one long, nocturnal trip too many along a rain-lashed motorway.

What is being marketed as the "Eclipse" mirror dips or undips through a six-degree arc in one-tenth of a second after being triggered by a light-sensitive cell. In the dipped mode, it reflects to the driver's eyes only 4 per cent, not the usual 97 per cent, of headlights up to 150 yards behind.

Its sensitivy can also be adjusted so that, in well-lit city streets, it will not oscillate itself into premature failure.

Stewart says he thinks the dazzle problem has become greatly exacerbated in recent years by the introduction of *quartz halogen lights which can* be anything up to ten times brighter than the old tungsten filament systems charged by dynamos.

His mirror can be wired into a car's own electrical system - off the interior light, for example - but also has as standard its own small battery pack which fits unobtrusively to the rear of the mirror and which is said to last up to four months before the batteries need replacing. The mirror replaces the car's standard fitment and is fixed by an impact adhesive pad to the windscreen.

The next task for Stewart Automotive, housed within a small plant rented from the Scottish Development Agency in an area where youth unemployment has hit 60 per cent, is to convince motorists that the innovation is worth paying its recommended retail price of £29.95.

Stewart's own estimate is that sales, currently planned through aftermarket oultets and mail order catalogdes, will reach 100,000 units *by the end of* August next year. The current factory is being doubled in size, and Stewart forecasts that the company will be employing about 40 people by Christmas.

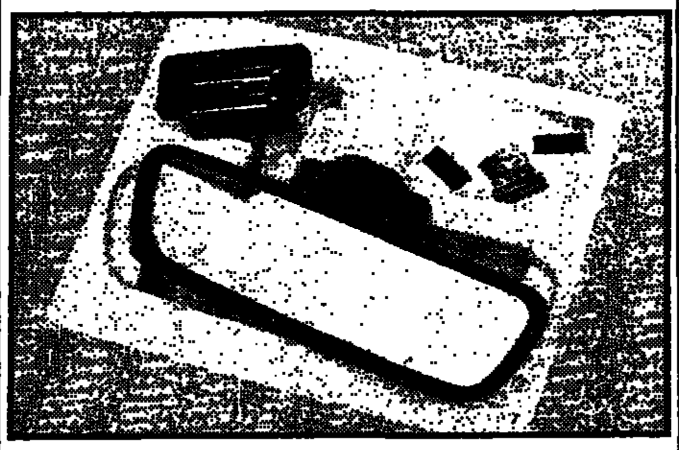
Stewart Automotive was set up in July last year, and is owned by Stewart and a dentist neighbour.

It is currently producing 600 units a day with a work force made up primarily of 18-20 year olds, some of whom had never worked since leaving school.

He accepts that real success will come if car makers start lining up to instal the mirrors as original equipment. Tentative approaches have been made, but it is accepted that appraisal by volume manufacturers can be a very lengthy process.

Stewart reckons it has cost £70,000-£80,000 to bring the mirror into production. The circuitry is to his own design, but using small electric motors and microswitches sourced from the Far East.

Apart from the low rental factory from the SDA, the company has received "a small amount" of regional aid, according to Stewart.



The Stewart Automotive anti-glare reflector

Manufacturing a greater influence

IN THE belief that previous conferences on advanced manufacturing have not been sufficiently influential and have produced inadequate levels of action, a group of European academics and industrialists are to meet in London next year (January 12 to 16) for a "top level industrial summit" called New Manufacturing Imperatives.

The group plans to hold a series of presentations and working sessions for delegates to the conference. John Banham, director general of the Confederation of British Industry, will take part alongside a dozen professors and directors of research and marketing. Group discussions will make use of screen-based information systems.

It is planned that the event will be held annually and will develop lobbying initiatives so that governments can be influenced. A particular focus will be on the means by which Euro*pean industry can be made to* operate in a more cohesive way to counter competition from Pacific Basin companies.

The entrance fee to the conference is £2,000. New Manufacturing Imperatives can be contacted on London, 799 1094.

Destroying a sea of pollution

ACCORDING TO Interox Chemicals of Warrington in the UK, coastal sewage pollution in Britain and elsewhere could be quickly alleviated by using "a safe and inexpensive" chemical already well tested in the in the food, brewing and dairy industries.

Interox's Oxymaster system uses a derivative of hydrogen peroxide, a substance mainly known for its industrial and domestic bleaching properties. Oxymaster has been successfully tested in both coastal and inland sewage works.

The system destroys harmful bacteria and viruses in untreated sewage before discharge and eliminates offensive smells. But it is harmless to fish and all marine life because it is fast acting and soon breaks down into oxygen and water.

APPOINTMENTS

Gartmore chairman

Mr Paul Myners has been elected chairman of GARTMORE INVESTMENT MANAGEMENT, a subsidiary of British & Commonwealth Holdings, in addition to his current role as chief executive. As a result of the intended integration of Oppenheimer Fund Management with Gartmore Fund Managers, **Mr Peter Goldie**, chief executive of B&C, **Mr Don Spiro**, chairman of Oppenheimer Management Corporation of the US, and **Mr Martyn Page**, formerly investment director of Oppenheimer Fund Management, are joining the Gartmore board. Mr Page will be responsible for the management and development of Gartmore's investment trust business. Mr Goldie and Mr Spiro will be non-executive directors. **Ms Jane Hakham** and **Mr David Stevensen** (members of Gartmore's international investment team) and **Mr Steven Murray**, formerly administration director of Oppenheimer Fund Management, have been appointed to the board of Gartmore Fund Managers. All these appointments are from November 1. As a result of the Caledonia scheme of arrangement, **Mr Charles Cayzer** and **Mr Michael Wyatt** have resigned as directors of BRITISH & COMMONWEALTH HOLDINGS. **Mr Rusty Ashman** has been appointed to the board as group finance director. He was finance director of Abaco Investments, and will replace **Mr Geoffrey Adkin** who has retired. **Mr Paul Radcliffe** has been appointed group treasurer. He was group treasurer of Mercantile House Holdings.

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Mr Tony Scurr will be appointed deputy chief executive of ALFRED McALPINE and chairman of ALFRED McALPINE MINERALS on October 31.

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HAZLETON UK has appointed **Dr John Fromsen** as director, chemical and medical sciences. He was research director at *Hoechst Pharmaceuticals (UK)*.

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Mr Michael Hawkins, formerly manager of E.W. Payne Scandinavia, and director and divisional director of E.W. Payne (International), is joining the board of WELL MARINE REINSURANCE BROKERS.

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Professor John Ffowcs-Williams has been appointed a non-executive director of VSEL CONSORTIUM. He is professor of engineering (acoustics) at Cambridge University, and chairman of Topexpress, a company which was acquired by VSEL last August.

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Dr Kevin Gradwell has been appointed managing director of WEIR MATERIAL SERVICES, a new company set up by the Weir Group to market duplex stainless steel Zeron 100. He was with Mather and Platt Machinery.

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Mr Andrew Martyr has been appointed an assistant director of STANDARD CHARTERED MERCHANT BANK, responsible for the bank's hotel advisory service. He was a director of London and Metropolitan Project Management.

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SIMON ENGINEERING has appointed **Mr W.A. Gilluly** as chief executive officer of its US subsidiary Geo-Search Corporation, Midland, Texas. He was chief financial officer.

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Mr Jack Springford has been appointed managing director of JARVIS MILTON KEYNES. He was managing director of Harpenden Building Contractors.

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TILBURY CONSTRUCTION has appointed **Mr Tony Davies** as director and general manager of its central building division.

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MAJESTIC WINE has appointed non-executive director **Mr Frank Berger** as vice-chairman and joint chief executive of Majestic Wine Corporation with responsibility for US purchasing. He was president of the House of Seagram. **Mr Christopher Townsend** becomes managing director. **Mr Ian Barry** is made group finance director.

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CROWN FINANCIAL MANAGEMENT has promoted **Mr Alan Twigg** to the post of appointed chief actuary. **Mr Bruno Geiringer** becomes company secretary and compliance officer.

*

C.T. BOWRING & CO has made the following appointments: at Bowring Marine & Energy Insurance Brokers - **Mr J.F.S. Hyde** (executive director); **Mr R.E. Vaughan, Mr R.L. Holland, Mr W.T. Harvey, Mr P.R. Holliday, Mr C.R. Bowring, Mr A.W. Hall, Mr J.M. Howe, Mr J.H. McGarey**, and **Mr A.P. Newman** (directors). At Bowring Aviation - **Mr P.J.C. Viccars** (executive director); **Mr J.R. Steed, Mr S.R. Wilkinson** and **Mr P.E. Woollard** (directors). At C.T. Bowring & Co. (Insurance) - **Mr J.A.T. Esdaile, Mr R.B.J. Fenn, Mr F.G. Ismail, Mr D. Kelly, Mr P.A. Norman, Mr R.L. Price** and **Mr T.R.J. Pring** (directors). At Bowring London - **Mr D.W. Ingram** (director). At Bowring Eastern - **Mr J.K. Pallett** (director). At Bowring M.K. - **Mr J.R. Bull** (director).

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Following the management buy-out at DON REYNOLDS, **Mr Don Reynolds** heads the group with **Mr John Macnamara**, previously a main board director at Alfred Bagnell & Sons, its new group financial director.

FINANCIAL SERVICES

James Buxton interviews the head of a financial enterprise

The special case for Scotland

"ONE OF the flaws in the Scottish character is this expectation that we will be treated specially," says Professor Jack Shaw. "We enjoy a degree of special treatment. I argue that we *need* a degree of special treatment - but not to the extent that people expect."

To manage a Scottish pressure group and yet oppose many forms of special treatment for Scotland requires unusual gifts of self-denial - or canniness. Prof Shaw, who runs Scottish Financial Enterprise, an organisation formed last year to promote Scotland's financial services industry, has an original combination of views.

He is an accountant by profession, and moved to SFE from being senior Scottish partner of Deloitte, Haskins and Sells. He has also been part-time professor of accountancy at Glasgow University. He has swapped the relative certainties of accountancy for a less structured life of lobbying, making speeches, organising events and trying to sell the concept of Scotland as a financial centre.

SFE was born out of anxieties that Scotland's financial institutions - its banks, fund managers, life assurance companies and others - were too little known outside and even inside Scotland and risked being squeezed off the map in the wake of Big Bang.

Since then, however, Scotland - particularly its fund managers - has actually benefited from its detachment from the post-Big Bang City of London. Some £80bn of funds is under management in Scotland and, thanks in part to SFE, its financial services industry is better known outside Scotland.

Yet in trying to promote Scotland, Prof Shaw has had to face *the obstacle that it is not perceived as being a significant part of Britain.* Its significance, he thinks, is undermined by the concentration of decision-making, talent and wealth in the south-east of England.

The issue was starkly brought home to Scots last year by the takeover of Distillers - Scotland's biggest company - by Guinness.

Although Mr Ernest Saunders, then chairman of Guinness, promised during the takeover battle to move its headquarters to Scotland, he soon backtracked and Guinness confirmed recently that it was staying in London. But that set Scots debating how to persuade companies to move their headquarters to Scotland, and how to retain existing Scottish companies.

Jack Shaw: Scottish companies are growing

Earlier this year Prof Shaw briefly floated the idea of trying to persuade companies to move their headquarters north of the border almost irrespective of where the bulk of their activites lay - mainly to find a more detached atmosphere for decision-making. He now admits: "It's almost a hopeless battle to expect business to relocate their headquarters into any particular region."

But he *also* rejects the idea - frequently mooted north of the border - that to keep Scottish companies headquartered in Scotland, they should enjoy extra protection against takeovers by non-Scottish companies through automatic referral to the Monopolies and Mergers Commission, or even the creation of a Scottish Mergers Board.

He says: "Mergers on the whole enhance the effectiveness of the business community and you replace weak management faster than without them."

The loss of company headquarters with the ability to decide their own future is serious, he says. "But what's encouraging is that those companies whose headquarters we still have are actually growing quite well - a higher proportion of Scottish companies are growing nationally and internationally than I have ever noticed before."

He mentions companies such as Dawson International, the textile company, Christian Salvesen, Kwik-Fit and Weir Group.

Even so, such companies are vulnerable to takeover. But he wants something more than special protection: he would like government to take dramatic measures to reverse the centralising tendencies in Britain, which he fears might eventually see the centre of gravity shifting even further away from Scotland to somewhere in the continental part of the European Community.

There must, he says, be an assault on the enormous benefits that mean that people living in the London area do not pay the full cost of living there - such as the subsidy to British Rail commuters and easier rates burden compared with Scotland.

But more boldly he wants the transfer of entire ministries, complete with ministers and permanent under-secretaries, not just sections of ministries, to the regions.

"If the Department of Energy was headquartered in Scotland (say at Aberdeen) the oil majors in the UK and the oil majors internationally would know where Scotland was, would be in Scotland frequently and by being here would understand some of the difficulties. They might even relocate in Scotland themselves."

At the moment, he says, people go to them, they do not come here. "The shuttle is used more for taking senior Scottish businessmen out of Scotland than to bring senior business people from the south into Scotland."

But surely if it is difficult to get a company to move its headquarters here is not it even more difficult - even Utopian - to expect the Government to move part of its own headquarters?

"I don't agree with that. It's difficult to get businesses to move because of their commitment to commercial criteria. Government has to consider non-commercial criteria."

This policy is not, he says, an official goal of SFE and he has not yet formulated a firm proposal. "But if we can't find some means in the course of the next four years of exploiting this Government's strengths, we are going to have a very hard row to hoe. The flywheel *is spinning* so fast in one direction that we need a lot of help to make it stop."

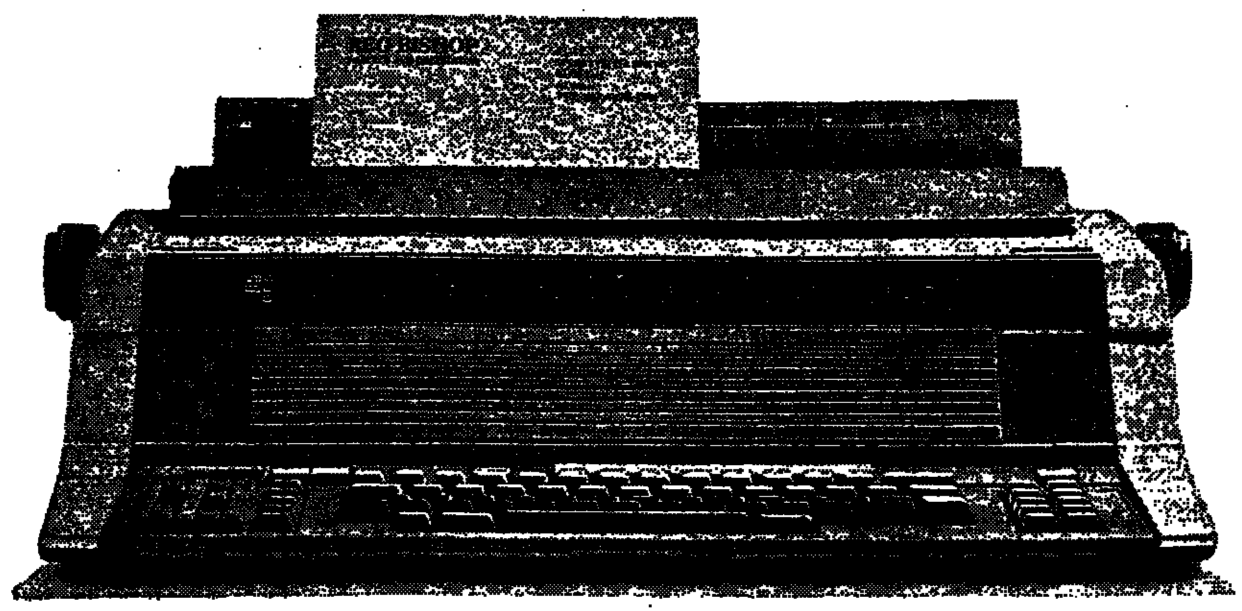
But wouldn't the idea of a Scottish Assembly, now espoused by the Labour Party and widely supported elsewhere, give Scotland decentralised administration?

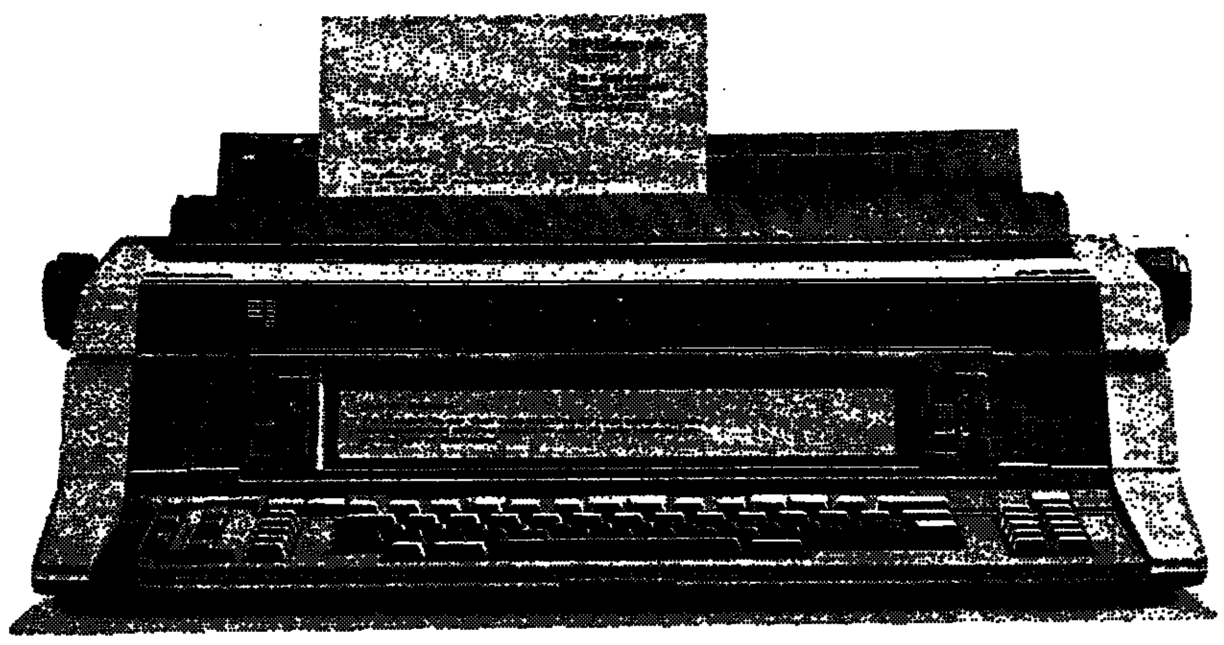
"The trouble with a Scottish Assembly is that you don't actually add to your significance that way," says Prof Shaw. "It would actually reduce our significance as viewed from London. UK ministries don't always pay a lot of attention to Scottish issues even when they have direct responsibility for them, because they say: 'Well there's the Scottish Office.' Devolution would simply take that a step further. It would accelerate the migration from Scotland of corporate decision-taking."

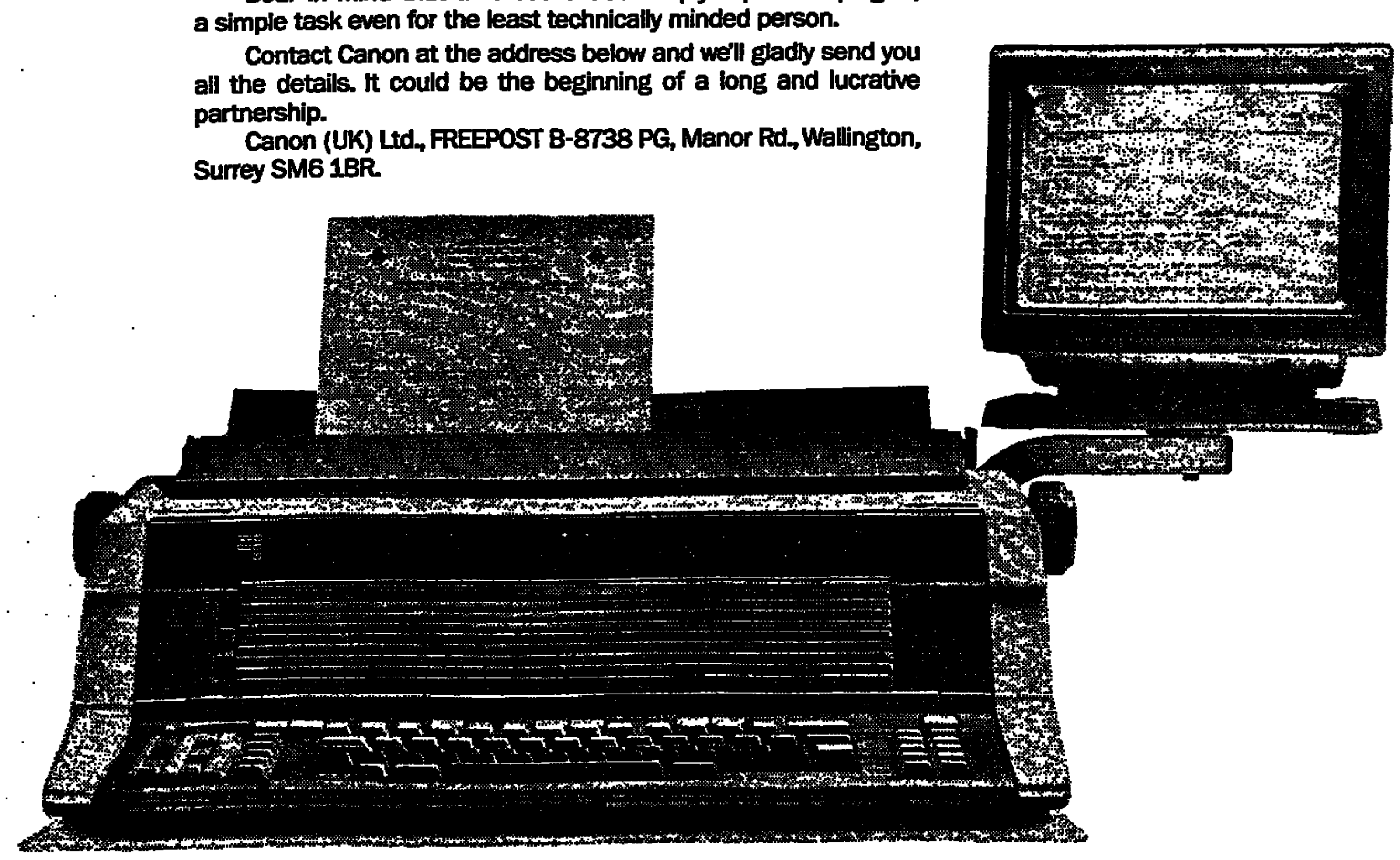
But wouldn't a Scottish Assembly stimulate the return of expatriate Scots who have been forced to seek their fortunes elsewhere?

"To do what in Scotland? They are where they are, in London or Paris or wherever, to feel that they are playing on a big pitch. If we had an assembly they would just say: 'Don't worry me, now you've got your ball, go and play on the back pitch'. I'm staying in this big game here."

For Prof Shaw it will take something more radical than a Scottish Assembly to bring them back.







OVERSEAS NEWS

Malta moves to attract more foreign investment

Godfrey Grima in Valletta reports on how Malta seeks international advice in an attempt to exploit its location between Europe and Africa as a suitable site for foreign investment.

Dr Eddie Fenech Adami

MALTA is opening its doors wider to foreign investors in an attempt by the new Government of Dr Eddie Fenech Adami to stimulate the growth of service-orientated industries.

The Government has devised a plan which will be put into effect next year to market Malta's potential as a site for foreign funds and to promote its relative advantages over other Mediterrean islands such as Gibraltar and Cyprus.

International banks, insurance firms, trading outfits, trust holders, company and ship owners have been targeted as ideal suitors for Malta's upcoming role as an offshore base, situated halfway between Europe and Africa.

Twenty of the world's top accountancy firms and banks, including Chase Manhatten, Morgan Grenfell, Lazard Freres, Hill Samuel, Philips and Drew, Peat Marwick and Price Waterhouse, are competing to be appointed consultants. Each will try to identify investment areas most suitable for Malta.

The company submitting the most convincing proposals will advise a broad-based public and private sector committee, headed by Dr Joseph Fenech, the Parliamentary Secretary who has argued strongly for the encouragement of foreign investment.

"I am more than ever convinced now we are on the right track. When we were still on the opposition benches, I used to be laughed at everytime I mentioned offshore activities as an untapped source of considerable income.

"Now I am certain this can substantially bolster our economy," enthuses Dr Fenech, a lawyer by profession with some personal experience in offshore dealings.

The development of Malta as an offshore base epitomises Premier Fenech Adami's preference for a healthier mix of service and manufacturing industries.

His ruling Nationalist Party is committed to giving the island a greater appetite for projects which are more suited to Malta than bulky industrial schemes, such as shipbuilding or foundaries.

Malta's chances of making a successful debut in the complicated and competitive world of offshore dealings seem, at a glance, encouraging.

The basic structure required is already there and functions. Malta's high standard of education has created a fine crop of bank, insurance and business executives, not to mention lawyers, for foreign companies to draw on.

The island is politically stable except for occasional outbursts which mirror the passions driving most Maltese. It enjoys a superb climate and its institutions, particularly the judiciary and central banking system, have weathered parish politics which divide the ruling Nationalist Party and the opposition Labour Party, headed by Dr Carmelo Mifsud Bonnici.

The change from a socialist to a conservative government in May endorsed Malta's democratic parliamentary system. Within six months, says Dr Fenech, parliament is expected to rush through the necessary legislation to make Malta an offshore base.

At the same time, some Maltese £40m ($14m) is being spent to update the island's creaking domestic and international telecommunication links.

But it is too early to tell whether these and other planned inducements are enough to woo adequate business to the island.

The Government is treading cautiously. Instead of fashioning its project on existing models, Malta is trying to draw on the experience of other countries. Certainly not welcome, for example, are brass plate companies and fly-by-night operators.

"We shall not impose restrictions on the number of companies registering here. We want everyone to come. However, shady operators should not eye Malta as a possible haven. We want to compete with credible offshore bases by offering something more and different," says Dr Fenech.

These views are shared by Labour Party spokesman on offshore, Mr Lino Spiteri, a former minister for economic planning.

"If you lock out the laundering of black money, which is what we want, and then realise time-bridging advantages no longer exist, we might be ruling out a fair wack of banks.

"The registration of shipping already exists offering certain fiscal advantages, although I agree this should be better marketed. That leaves us with trusts, insurance, and trading. With the first two, there shouldn't be any major problem, particularly if we manage to attract captive insurance.

"With offshore trading, we must be careful. We would not want to face a situation where offshore trading companies are offered privileges not available to our own exporters. That would create discrimination and social tension," argures Mr Spiteri.

Premier Fenech Adami's administration is keen to advertise offshore operations as something that will remain a permanent feature of the Maltese economy – whichever government is in power.

Notes Dr Fenech: "Consistency is essential. People must be assured this scheme is outside the realm of party politics." Without that assurance, Malta's forage into the offshore business runs the risk of degenerating into a three-day wonder.

Britain will stay outside Unesco for at least a year

BY PETER RIDDELL, POLITICAL EDITOR

THE BRITISH Government intends to stay outside the United Nations Educational, Scientific and Cultural Organisation for the foreseeable future and will not review its position for at least a year.

The UK announced its withdrawal from Unesco two years ago, following a similar decision by the US, because of their objections to the policies and management of Mr Amadou M'Bow, its director-general for the past 13 years.

After a bitter electoral battle over the weekend Mr M'Bow dropped out of the final round of voting by Unesco's executive board, allowing Mr Frederico Mayor from Spain to be nominated.

However, Foreign Office ministers argue that this change, while welcome, does not remove the objections which the UK has to the running of Unesco. They point out that the agenda at Unesco's general conference early next month will be dominated by Mr M'Bow's proposals, which Britain rejects and regards as, amongst other points, anti-Western.

On the British view, Mr Mayor will not be able to make any impact to reform the organisation for at least a year and probably not until the Unesco general conference in 1989.

Moreover, British ministers maintain that the UK subscription to Unesco of around £6m a year is now being better used in a number of bilateral educational and cultural projects, such as financing overseas students in Britain.

Fundamental reform of Unesco has been strongly urged by Mr Tim Eggar, the Foreign Office Minister with responsibilities in this area, and the nomination of Mr Mayor is seen in London as a belated step in this direction.

Given the caution of Foreign Office ministers about any early re-entry into Unesco, there is unlikely to be pressure from anywhere else in the British Government for such a move. Withdrawal was supported at the time by the majority of Conservative MPs, although it was opposed by a number with overseas aid interests and by Labour.

Vauxhall strike set to continue as talks fail

By Charles Leadbeater

THE STRIKE by 3,500 manual workers at Vauxhall Motors' car plant at Luton is set to continue after talks aimed at resolving the dispute, over the recalculation of productivity bonus payments, broke down yesterday.

Both sides took a firm line after the talks involving national officials of the AEU, the engineering union, the Transport and General Workers Union and the Electricians Union (EEPTU), and the company's industrial relations executives.

The company reiterated its offer, made to union officials at the plant, that the dispute should be referred to a subcommittee of the Joint Negotiating Committee, the national forum for collective bargaining.

But it said it would reflect on yesterday's meeting before making any further moves in the dispute. It has already sent the workers two letters outlining its case, and some union officials believe the company may be considering legal action.

Union officials regard the dispute as potentially serious because Vauxhall Motors' financial and market position is not as strong as that of Ford, its main competitor. While stocks of the Cavalier cars made at Luton are healthy, it is thought the company may soon find it difficult to offer dealers a full range of choice.

The bonus dispute follows the separation in August of the van and car plants at Luton. Productivity bonuses had been calculated on a measure of the average productivity of both plants.

The unions argue that on the basis of the established thresholds for triggering payment of bonuses, workers at the car plant, which is much more efficient than the van plant, are owed about £10 a week extra. The company says this would add about £20 per car to labour costs.

The company says the thresholds for paying productivity bonuses should be recalculated. But in the interim it wants to continue with the old system by including notional figures for the productivity of the van plant. The unions are also objecting, however, that the company breached national agreements with the unions by introducing the notional figures without consultation.

It is likely that production at the company's Merseyside plant will be disrupted if the strike continues until the end of the week.

Overtime ban costs coal mines £2.8m

By Our Labour Staff

BRITISH COAL lost about 70,000 tonnes of production last week, worth about £2.8m, as a result of the fourth week of the National Union of Mineworkers' ban on overtime coal production.

Last week's loss was slightly down on the previous week, in which the corporation lost output worth about £3m. The cumulative loss from the action, which entered its fifth week yesterday, has reached £11m.

NUM members involved in the ban lost about £1m in overtime earnings last week, bringing the total lost since the start of the ban to £5m.

The NUM started the ban over the corporation's unwillingness to amend its revised disciplinary code to allow for binding arbitration as the final court of appeal. British Coal insists that an appeal against unfair dismissal must be heard by an industrial tribunal.

The corporation gave warning that continued action would lead to job losses although the extent of redundancies would only be determined after an assessment of the full impact of the action.

The corporation is preparing its 1987 pay award to the rival Union of Democratic Mineworkers, which is likely to be imposed on the NUM. Under the two-year deal agreed with the UDM last year the corporation said it would raise basic wages in line with the rate of inflation.

Schemes for jobless face major overhaul

BY CHARLES LEADBEATER, LABOUR STAFF

THE 10-STRONG policymaking commission of the Manpower Services Commission will today consider proposals which could pave the way for the most far-reaching overhaul in government provision for the adult unemployed since the rise in unemployment in the late 1970s.

The commission will consider a paper drawn up by a working party of MSC officials which examines how the organisation of programmes for the adult unemployed should be reorganised in the light of commitments the Government made in its election manifesto.

It is widely accepted that the review will next year produce an entirely revamped set of measures for the unemployed to replace the Community Programme, which provides temporary work for the long-term unemployed, the Job Training Scheme, which provides a mix of work experience and training, and possibly the Enterprise Allowance scheme, which encourages the unemployed to start their own businesses.

It is widely accepted that the Government will only be able to fulfill its guarantee that every person unemployed for between six and 12 months, between the ages of 18 and 25, will be offered a place on JTS, if the scheme is merged with the Community Programme.

Officials at the MSC and the Department of Employment admit that JTS has largely failed. Only about 20,000 people are on the scheme, which was launched nationally in April with the aim of providing 110,000 places by the end of the year.

The merger, however, could pave the way for a fuller integration of provision for the unemployed to provide a more coherent range of schemes.

It is thought this could include using a revised Community Programme, which provides about 245,000 places, as a central scheme which could then lead to a series of options through which the unemployed could work on an employer's premises, enter self-employment, or take up more intensive training, as routes back into work.

The commission will also consider the implications of the Government's decision that participants in the Community Programme should be paid an allowance equivalent to their social security benefit plus a premium to cover expenses, rather than the wage they are currently paid.

MSC officials hope that the integration, as well as the provision of additional training on the Community Programme, may lead the trade unions to drop their opposition to the payment of participants on a benefit-plus basis.

Focus shifts, Page 15

NOTICE OF REDEMPTION
To the Holders of

Exxon Finance N.V.

10½% Guaranteed Notes Due November 1, 1989
*Cusip Number 301904 AB 4

NOTICE IS HEREBY GIVEN to the holders of 10½% Guaranteed Notes due November 1, 1989 (the "Notes") of Exxon Finance N.V. (the "Company") pursuant to Section 15.02 of the Indenture dated as of September 15, 1982 among the Company, Exxon Corporation, Guarantor and Manufacturers Hanover Trust Company, Trustee, and the provision of the Notes that the Company has exercised its option to redeem all of the outstanding Notes on November 1, 1987 (the "Redemption Date") at 100% of the principal amount thereof (the "Redemption Price") plus accrued interest to the Redemption Date. Interest on the Notes will cease to accrue on and after November 1, 1987.

The Redemption Price on the Registered Notes will be paid on or after November 1, 1987 upon surrender of the Notes at the offices of the Trustee listed below or at the offices of the Paying Agents listed below for paying the Coupon Notes. The method of delivery of the Notes is at the option and risk of the holder, but if mail is used, Registered Mail is suggested.

If by hand to:	*If by mail to:*
Manufacturers Hanover Trust Company Debt Operations Window 40 Wall Street B B Level New York, N.Y.	Manufacturers Hanover Trust Company P.O. Box 2862—G P.O. Station New York, N.Y. 10116-2862

The interest due November 1, 1987 on the Registered Notes will be paid in the usual manner.

The Redemption Price on the Coupon Notes will be paid, subject to applicable laws and regulations, on or after November 1, 1987 upon surrender of the Notes with the May 1, 1988 and subsequent coupons attached only at the offices of the following Paying Agents:

Manufacturers Hanover Trust Company 1 Gerry Raffles Square London E15 1XG ENGLAND	Banque Bruxelles Lambert Avenue Marnix 24 B-1050 Brussels BELGIUM
Manufacturers Hanover Trust Company Stockerstrasse 33 Zurich SWITZERLAND	Manufacturers Hanover Trust Company Bockenheimer Landstrasse 51-53 Frankfurt WEST GERMANY
Manufacturers Hanover Bank Luxembourg S.A. 39 Boulevard Prince Henri LUXEMBOURG	Banque Worms 45 Boulevard Haussmann 75427 Paris, Cedex 09 FRANCE

The November 1, 1987 coupon should be detached and presented for payment in the usual manner.

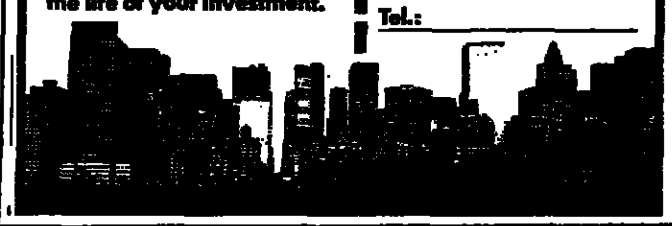
IMPORTANT TAX INFORMATION

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the Trustee or Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed W-9, exemption certificate or equivalent when presenting your Notes.

EXXON FINANCE N.V.

Dated: September 29, 1987

* No representation is made as to Correctness of the CUSIP number either as printed on the Notes or as contained in this Notice of Redemption.



Britain begins counting the damage costs

BY ANDREW TAYLOR AND RALPH ATKINS

LOCAL AUTHORITIES and businesses across southern and eastern Britain yesterday were counting the cost of the hurricane winds that caused millions of pounds of damage on Friday.

Some councils have already asked the Government for financial assistance to meet the cost of repairing damage. Many others are likely to follow. They are particularly concerned that extra spending should not be penalised by cuts in central government grants.

Lloyd's of London insurance market council yesterday donated £100,000 to a trust established to restore parts of Britain's national heritage, including Kew Gardens.

Last night 180,000 homes in the south-east were still without electricity. Electricity boards warned that some remote houses might not be reconnected until next week.

Train services were returning to normal but some commuters experienced delays. British Rail Southern Region said it ran 94 per cent of its scheduled trains during the morning peak period but there were "considerable delays" because of blocked or slippery tracks.

In Wales freak floods continued to strain emergency services and disrupt industry. In South Wales nearly 3,000 customers were without electricity for parts of the day but by last night almost all had been reconnected.

Shepway District Council, which looks after 4,500 council homes along the Kent coast between Folkestone and Dungeness, said it was still assessing the cost of the damage. It would almost certainly run into hundreds of thousands of pounds and possible millions.

Local councillors in Folkestone said one in three homes had been damaged by winds of up to 100 mph.

A roof of a swimming pool, recently replaced at a cost of about £90,000, had collapsed at Hythe.

Brighton district council in Sussex, which, unlike Shepway, had not insured local authority homes against storm damage, said its bill for damages would run into millions of pounds.

The council, which has been rate-capped this year, said it lacked the resources to cope with the devastation that has left 60 households homeless and damaged 4,500 of the council's 10,000 homes. A two-storey block of council flats lost its roof.

Twenty-two high-rise blocks were being examined by the council to see if any structural damage had been caused.

Local authority officials were also considering the extent of the damage caused to the famous Brighton Pavilion, where a minaret was dislodged by flailing scaffolding and crashed through the floor of the music room, which had just been restored after a fire.

Mr Steve Bassam, leader of the Labour-controlled council, said: "It would be ironic if the council were to lose even more government grant by spending on this emergency. No local authority should have to foot the bill for what is effectively a national disaster. The Government must come up with the cash now."

East Sussex County Council said 300 council buildings, including 60 schools, had been damaged. Tideway secondary school at Newhaven would have to be almost completely rebuilt.

The Labour-controlled Association of London Authorities estimated that damage in the capital would run into tens of millions of pounds. It asked Mr Nicholas Ridley, Environment Secretary, to provide urgent financial assistance to London authorities.

The Conservative-controlled Association of District Councils said it would be asking members to provide information on how much they had suffered before putting in a final claim to government for financial assistance.

Across the country, storm damage continued to cause congestion on main roads. Kent was worst affected, with flooding, debris and falling trees proving hazardous for motorists. Traffic jams were reported in Essex and minor roads remained closed in Surrey and Hampshire.

The Post Office said last night it was employing extra staff and had almost cleared the backlog of mail built up on Friday. However, it was expecting delays in Wales because of the floods.

The Stock Exchange reported that its computer systems were running normally although some dealing houses were experiencing technical problems

In west Wales rescue efforts were hampered by a severe breakdown of telephone communications. At one stage the exchange in Carmarthen was under 6 ft of water.

Sun Alliance and Royal trading profits 'wiped out'

BY ERIC SHORT

THE STORM will almost certainly have wiped out the trading profits earned in the UK during the first nine months by two leading composite insurance groups, according to a leading analyst.

Sun Alliance and Royal Insurance will both suffer because they will have to bear most or all of the claims costs themselves, having little or no reinsurance facilities for their UK property accounts.

Sun Alliance and Royal Insurance are respectively the largest and second largest house buildings insurers in the UK, dominating the house insurance market. As such, they will be the hardest hit by the storms, which damaged structures far more than contents.

Mr Roger Taylor, Sun Alliance's general manager UK, confirms that the storms will be by far the largest natural disaster to affect the UK and impinge on insurance costs. He expects to have a clear estimate of the costs by next week.

Sun Alliance has already paid out £74m this year on adverse weather claims for January's snowstorms and the March floods. The payout for last week's damage is likely to be much higher.

Royal Insurance is not expected to fare much better. Its reinsurance arrangements are complicated, but it is believed that it will have to meet most of its correspondingly high claims bill.

The other leading composites will be less affected because their involvement in the UK house buildings insurance market is lower and they have reinsurance arrangements.

General Accident meets the first £30m of its claims bill, while Guardian Royal Exchange pays only the first £15m. Commercial Union fares even better, paying the first £5m of the bill with a slight involvement in the cost above that figure.

One longer-term insurance consequence of the disaster is a renewal of calls for higher premium rates for house buildings insurance.

'Threats' to West End studied

BY RALPH ATKINS

THE PROSPERITY of London's West End could be threatened by out-of-town shopping developments, deteriorating conditions for workers and tourists, and severe traffic congestion.

That warning comes in a report published yesterday by Westminster Chamber of Commerce. It sets out how the borough's shops, offices, hotels and tourist industry could be developed by the year 2000.

Several issues, it says, need to be addressed "with the utmost urgency" if the area is to take advantage of future opportunities.

Potential growth areas include tourism, spin-offs from a growing international financial market in the neighbouring City of London and benefits from improved links with Europe after the completion of the Channel tunnel.

Westminster borough has a workforce of 475,000 and a daytime population of up to 1m. The report says it is the centre of Britain's tourist industry and of many international and national businesses.

The authors, however, who included representatives of leading employers in the area, say there are threats that challenge this supremacy:

- Out-of-town shopping centres increasingly provide a safer and more attractive environment for shoppers. They have better facilities and more space for parking.
- Higher rates will follow the introduction of the Government's uniform business rate system from 1990. That might increase the amount paid by companies to the local authority by more than 30 per cent, driving them to cheaper areas.
- Other cities in Britain and abroad are becoming easier to reach for tourists, shoppers and businessmen. Many are competing with Westminster to provide prestige addresses and comfortable working environments.
- Living costs in London are rising, as are traffic problems and fears about terrorist attacks.
- Companies are tending to decentralise and move headquarters out of the capital.

The greatest single threat, the report says, is "apathy and complacency in a business community which has become comfortable with relative success and fortune compared to many other cities in the UK."

Westminster Business 2000. Westminster Chamber of Commerce, Mitre House, 177 Regent Street, London W1R 8DJ.

Private sector 'must take inner city lead'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE PRIVATE sector was yesterday urged to take a lead in helping to overcome unemployment difficulties in the inner cities by Mr Norman Fowler, Employment Secretary.

Mr Fowler, speaking at a Business in the Community Forum, said there were two main priorities - doing everything possible to provide employment opportunities, and offering good training to young people and adults. Industry had a crucial role to play in achieving both objectives.

"The improvement in the employment position is real enough. Extra jobs have been created - more than 370,000 in the last 12 months alone - and the outlook is encouraging. But what we need to ensure is that the inner cities are not left behind. Our aim must be to see that all parts of the country share in the recovery and the success."

Mr Fowler emphasised the need to ensure that jobs created in the inner cities went to people who lived there.

The Government was, he said, determined to target the Enterprise Allowance Scheme and the Small Firms Loan Guarantee Scheme so they gave more help to people in the inner cities. The JobCentre service, which is returning to direct Department of Employment control from the Manpower Services Commission this week, must also be made accessible to inner-city residents.

"We already have designated inner-city officers whose job it is to make sure that people in the ethnic minorities know what jobs and support schemes are available to them. We must build on this."

It was vitally important that inner-city residents had access to the training schemes now available to them, and the role of the private sector was vital. "Only the private sector can provide the range and depth of relevant training provision to give individuals the skills to compete in the labour market."

Welsh TV alters purchasing

BY ANTHONY MORETON, WELSH CORRESPONDENT

S4C, THE Welsh television channel, is to change the way it buys much of its 25 hours output of programmes a week.

Mr Owen Edwards, director of S4C, said in Cardiff the changed system should mean better use of the channel's money and better quality programmes.

Under the present system S4C - Sianel 4 Cymru, or Channel 4 Wales - receives 10 hours a week from the BBC which is funded out of the corporation's licence fee income.

It then spends £34m a year out of its £40m budget on nine hours a week under long-term contract from HTV, the commercial station whose franchise covers Wales and the West of England, and five hours from independent producers. The remaining hour covers recycled programmes.

From 1990, S4C intends to trade on the open market for all its non-BBC programmes, giving the independent producers - of whom there are about 34 connected with S4C - the possibility of a greater stake in available air time.

It also means HTV will no longer be guaranteed privileged access to the channel,

If HTV were to fail to win any share of S4C's air time it might lose as much as £20m a year

Region development chief resigns after five months

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR MARTIN EASTEAL, chief executive of the Northern Development Company, yesterday resigned unexpectedly after only five months in the post because his family has been unable to settle in the north-east.

The decision is bound to be seen as an embarrassment because Mr Easteal's job was to promote the north for inward investment by British and foreign companies. Quality of life in the area is one of the NDC's main selling points.

The Easteals had been living temporarily in Wallsend, Newcastle, while house-hunting.

Mr Easteal, 39, led the official launch of the NDC last month with a forceful presentation of the region's assets.

He would make no comment at his home in Harlow New Town yesterday on his reasons for leaving. However, Mr Reay Atkinson, chairman of NDC, said: "A man is a fool who doesn't put his family first or at least equal with other things."

Mr Atkinson will stand in as chief executive of the NDC, which has wide support from government, local authorities and the private sector acting as an industrial development agency for the north-east and Cumbria.

Banks told to exploit strengths

BY ALAN CANE

BANKS would have to exploit areas where their special strengths gave them an "unfair advantage" over their new competitors in the financial services marketplace, a leading electronic banker said in London yesterday.

Opening the first day of a Financial Times conference on electronic financial services, Mr Gene Lockhart, chief executive, information technology, at Midland Bank, said no bank was providing an adequate return on equity for its investors.

But in seeking new avenues to improve profitability, it was important not to damage services such as cheque clearing, where the banks had a long and successful record of co-operation.

Co-operation worked best, he argued, when dealing with commodity products where each partner had a similar and stable market share and where the service was transactional, high volume and standardised.

He attacked British retailers for attempting to force down the cost of clearing. Lower charges would erode the commercial foundation of personal payments services and the banks would eventually question whether they could afford to maintain the service, to everybody's disadvantage.

The conference confirmed that technology has not yet become, for the financial institutions, simply another business tool.

Mr Peter Lumb, general manager of Leeds Permanent Building Society, said that although change should be initiated by market forces and consumer demand, in practice technology frequently took the leading role. He cited automated teller machines as an example.

Although few, if any, financial institutions are doing more than breaking even on their ATM networks, none can afford to be without them. Mergers and reciprocal agreements made the picture very complex.

The Matrix network, which with Link is one of the two shared building society ATM networks in the UK, is soon to join forces with an as yet unnamed clearing bank, he said.

Mr Des Lee, head of systems and communications at Lloyd's of London said companies at last understood the threat new technology could pose to mature markets.

"The new buzzword is 'scenario planning' which is a complex form of competitive analysis that is expensive to undertake. People with knowledge of the technique are hard to find and expensive", he said, going on to warn that to justify new systems investment these days it was essential to show savings, greater saleability, better serviceability or improved safety.

Mr Bernard Thiolon, director general of Credit Lyonnais, warned that the costs of computerisation the front office and linking it to the back office were huge but essential: "Only the banks having had, for several consecutive years, a substantial cash flow, could devote the sums required to this effort," he said.

Credit Lyonnais expected to complete the job in four years: "If we should not make this effort, we estimate that our competitive situation will be at risk in the future while its realisation will give us a substantial advantage."

FT CONFERENCE

Electronic Financial Services

Mr David Wightman, of the PA Consulting Group, said information technology could be used to help an organisation stand. It could be used directly to create new products or barriers to keep out the opposition, or it could be used indirectly through marketing support.

Merrill Lynch, he said, had developed and was beginning to implement a workflow management system forecast to save 10m sheets of paper, 1m telephone calls and a great deal of time.

Mr Pascal Azais, speaking on behalf of **Mr Rene Riffard** of the videotex department of Credit Commercial de France, provided another example. CCF was, he said, the world leader in home banking.

Its provisions included a "contact" service which allowed an electronic dialogue between the bank and people who were not yet customers: "Without needing a confidential access code, the user writes an 'electronic letter' stating his interests and the service transmits it automatically to the branch nearest his home."

The speakers agreed commercial computer software for banking was still far from adequate. **Mr Rudolf Bauer** of Commerzbank said cash management software the bank had bought from the US had proved more suited to the US than the West German banking environment and had required considerable modification.

Mr Patrick Hayward of Internet Systems, a leading banking software supplier, argued that new computing methods had made the job of integrating customer account files much easier. When more than 2m customer accounts were involved, the cost of the computer hardware became an important consideration.

Mr Matthew Orr, director of sales and trading for Debenhams Investment and **Mr Paul Coombes** of McKinsey & Company also spoke at the conference which closes today.

BBC to tighten controls on use of opinion polls

BY KEVIN BROWN

THE BBC yesterday announced plans to tighten controls over the use of opinion polls, after criticism of its election night forecast in June, which predicted a Conservative majority of 24. The actual margin was 101.

The corporation said its broadcasting research department would be involved at "an early stage" in the commissioning of future polls, and guidelines on interpretation would be drawn up for news and current affairs staff.

The announcement follows an internal inquiry into the election night embarrassment by Mr Peter Ibbotson, deputy director of television programmes, and a separate report by Mr Martin Collins, professor of the City University business school.

Mr Collins says in his report election forecasting based on polls is prone to a wide range of errors, and concludes that the corporation's difficulties arose largely from bad luck.

"Almost everything that could go wrong did go wrong, not by much, but by enough to create overall a great deal of embarrassment," he says.

Mr John Birt, the BBC's deputy director-general, said the corporation's reporting of opinion polls was, in general, accurately and responsibly done.

Maclennan increases pressure on Owenites

By Michael Cassell, Political Correspondent

MR ROBERT MACLENNAN, SDP leader, last night stepped up the pressure on the Owenite faction in his party to halt what he sees as an increasingly blatant anti-merger campaign being waged to undermine the current negotiations with the Liberals.

Mr Maclennan's remarks echo mounting anger over perceived attempts by the anti-merger camp to form a party within a party to fight to preserve the Social Democrats as a separate political entity.

Mr Maclennan told a meeting of the SDP's national committee that it appeared the Owenite Campaign for Social Democracy, which has set up its own headquarters in central London, "seems about as free-standing as Mr Derek Hatton's Militant Tendency."

Mr Maclennan said it had been suggested to him that some party members opposed to the decision to negotiate a merger were acting in a way which, in other circumstances, would provide a prime facie case for censure and expulsion.

He said he would not support any such moves but he appealed to all party members to remember their sense of duty and urged members of the national committee to act "with a sense of honour." If they did not, they would face censure by the party membership which would prove far more severe than any handed down by a divided leadership.

Dr David Owen, the former SDP leader, did not speak at yesterday's national committee meeting, which called on the CSD to give several assurances about its conduct while merger talks continued.

Mrs Shirley Williams, the SDP president, said afterwards the leadership remained dissatisfied on some counts and expected the CSD to meet and consider the national committee's requests.

She called on Dr Owen to wind up that part of his campaign directly addressed to overturning the outcome of the merger ballot or he should consider whether the honourable alternative would be to resign.

Mrs Williams added: "We remain very concerned about the issue of how far a new party is being created. We have been told that it is not the case and we are seeking assurances on certain points." She said censure and expulsions could not be ruled out.

HK newspaper refused appeal on Spycatcher

THE SOUTH CHINA Sunday Morning Post, the Hong Kong-based newspaper, was yesterday refused special leave to appeal to the Privy Council in London against a temporary injunction banning publication of extracts from Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

However, the Privy Council judicial committee said steps should be taken for a speedy trial of the issue in Hong Kong.

The Post bought the serialisation rights to the spy book from Heinemann, Mr Wright's Australian publishers, and printed the first excerpts in August.

The Attorney-General obtained a temporary injunction which was lifted by the High Court. But last month, the Hong Kong Court of Appeal reinstated the injunction until the full issues had been determined at trial.

Accountants in short supply

By Richard Waters

FINANCIAL REFORMS in local government, the health service and education are at risk because there are not enough accountants to oversee them, the Chartered Institute of Public Finance and Accountancy said yesterday.

The institute, which trains local government accountants, announced a five-year development plan, saying it needs to attract 800 recruits a year - 40 per cent more than at present.

Mr Noel Hepworth, Cipfa director, said demand was particularly strong from the health service, which could not fill 400 vacancies created by financial management reforms.

The shortage was exacerbated by demand for accountants from further education colleges and urban development corporations.

Retail sales decline but trend continues upward

BY RALPH ATKINS AND DAVID CHURCHILL

BRITAIN'S RETAIL sales fell in September but the long-run trend still shows a continuing strong upswing, according to official figures published yesterday.

The Trade and Industry Depratment said its seasonally-adjusted index of retail sales volume fell by a provisional 0.8 per cent in the month. This follows a near-1 per cent rise to a record level in August.

The fall took independent economists by surprise as most had expected another increase. However, the fall is expected to be reversed this month, mainly because incomes are continung to rise faster than inflation.

Mr Kevin Gardiner, UK economist at Warburg Securities, said: "It doesn't mean the consumer boom is over and done with. It should be seen as a time of consolidation."

In the three months to September, sales volumes were 2½ per cent higher than the previous three months and 6½ per cent higher than the same period last year.

Independent economists are still predicting an annual growth rate for retail sales of about 6 per cent by the end of the year. This compares with the current annual growth rate for the whole economy of about 4 per cent.

The Government will be relieved to see some slowdown in the rate of retail sales growth experienced in the last few months. The drop in September should help to calm fears that the economy is overheating and needs an increase in interest rates to prevent undesirable side-effects.

The index stands at 131.4 (1980=100) compared with 132.5 in August.

Mr Richard Weir, director-general of the Retail Consortium which represents most of Britain's retailers, said: "Spending in the shops has remained very buoyant and the year-on-year figures are ahead of expectations."

He reported that retailers had generally done better than their own forecasts during September. Fashion retailers were helped by the onset of autumn weather, while furniture and furnishings stores continued to benefit from the housing boom.

Food stores, which had not performed as well as the sector in general, had a better month, he said.

The North-Eastern Co-operative Society reported food sales some 19 per cent higher in value compared with the same month last year.

NatWest to computerise for small businesses

By Charles Batchelor

NATIONAL WESTMINSTER Bank is to launch an electronic banking service for its small business customers. They will be able to call up information on their bank balances and transmit messages to their bank manager outside normal banking hours.

NatWest claims this is the first electronic service of its kind to be tailored to small business customers, although other banks and building societies have launched similar services for personal and business clients.

BankLine, as the service will be called, is intended for companies with turnover of between £100,000 and £2m. It will be launched next month in the Oxford, Bedford and Reading areas and may become nationwide.

The software for BankLine has been written for IBM or IBM-compatible personal computers and the bank believes the new service will appeal initially to the 12 to 13 per cent of its 300,000 small business customers who already use this type of computer.

BankLine consists of a three-stage service. The first stage, which costs £99 to instal plus £25 a month, allows customers to call up account information, send messages to their bank and make transfers between their own accounts.

The service is available between 7am on Monday and 10pm on Saturday, although the account information service shuts for updating between midnight and 5am.

The second stage, costing £59, comprises a software programme, the Psion PC4, which gives spread-sheet, word processing, database and graphics facilities.

The third stage is an accounting package, Multisoft, which allows the businessman to reconcile his own books with his bank account and which costs about £2,500.

Mr Keith Ferguson, research and development manager of NatWest's automated business services division, said the system had been devised after a study of small businessmens' use of personal computers. The most common uses to which they were put were word processing, payroll, stock control, book- keeping and financial forecasting.

Brickmaker seeks purchaser

By Andrew Taylor

GEORGE ARMITAGE & Sons, one of Britain's oldest family-owned brick manufacturers, producing about 16 per cent of UK specialist engineering bricks, is seeking a purchaser.

The company, formed in 1824 and based in Wakefield, West Yorkshire, earned pre-tax profits of £2.2m on sales of £10m in the six months to end-June.

Mr Geoffrey Armitage, chairman, said yesterday the number of family shareholders over the years had risen to 130. Family members who wanted to sell their shares had been hampered by the unlisted status of the stock.

The company had decided it would be better off as part of a larger group which would enable it to expand. It would also make it less vulnerable to aggressive pricing and marketing policies of larger rivals.

It has sent details of the company to a number of prospective purchasers.

The company intends to prepare a shortlist of potential purchasers which have been asked to submit preliminary offers by November 23. Samuel Montagu, Armitage's financial adviser, is organising the sale.

Revenue abused its powers, court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

J. ROTHSCHILD Holdings, the financial services group, yesterday accused the Inland Revenue of abusing its powers and acting unfairly in requiring Rothschild to pay £1.49m stamp duty on a merger transaction.

In the High Court, Mr Stanley Brodie, QC, for Rothschild, said that under an established and published Revenue practice, the transaction was exempt from capital duty.

The Revenue opposed Rothschild's application for an order that the assessment was void, arguing that the practice asserted by Rothschild had never existed.

The dispute relates to the agreed merger in 1983 of The Charterhouse Group and RIT and Northern. J. Rothschild Holdings, under its former name of Charterhouse J. Rothschild, was formed to acquire the RITN shares on a share exchange basis.

In January 1985, the Revenue made a £1.49m stamp duty assessment on Rothschild, representing 1 per cent of £149m, the value of certain RITN shares acquired by Rothschild.

Mr Brodie said Rothschild had followed to the letter an established practice, which the company alleged had been confirmed on the telephone by the Revenue's stamp office before the merger transactions were initiated, under which it was entitled to exemption from duty.

Nevertheless, Mr Brodie said, the Revenue had assessed the relevant return of allotment of shares for duty and had "acted unfairly and abused their powers."

The Revenue granted exemption in respect of one share allotment but assessed stamp duty on another.

Rothschild argued that the established practice had been to aggregate share allotments recorded on a single form to ascertain the size of the interest in the target company acquired for the purposes of capital duty relief. The relevant transaction, Rothschild contended, was the entirety of the takeover.

The Revenue argued that each allotment was a separate transaction.

Rothschild is appealing against the assessment and seeking a judicial review of the assessment decision and of the Revenue's refusal to include in its stated case Rothschild's evidence and submissions with regard to the alleged practice.

The hearing continues today.

Focus shifts for aid to jobless

Charles Leadbeater reports on an MSC paper examining ways the Government's pledges to the unemployed can be met

THE MANPOWER Services Commission will today consider a paper that presages the most significant change in government provision for the adult unemployed since the rise in unemployment in 1979.

The paper examines how the MSC should implement a series of pledges the Government made during the election campaign.

One commitment was a guarantee that 18 to 25-year-olds unemployed for between six months and a year will be be offered a place on the Job Training Scheme or in a Job Club. That group is no longer eligible for a place on the Community Programme, the main scheme for the long-term unemployed, which will be redirected to offer work for the older unemployed who have been out of work for more than two years.

The change, in turn, will involve altering the method of payment for participants on the programme, from an allowance linked to the rate for the job in the local labour market, to paying participants on the basis of their benefit entitlements, plus a premium for expenses.

In addition the programme, which mainly offers part-time work, should offer more full-time places, including much more intensive training.

Taken together, this apparently unconnected list of commitments will amount to a complete overhaul of provision for the unemployed. The transformation of the Youth Opportunities Programme into the Youth Training Scheme, marked a recognition that training provision for the 16-18-year-old age group was to become a more coherent, permanent part of the labour market.

The changes, which will be set in train by the commission today, might mark a similar development in provision for the adult unemployed. It is likely that by the end of next year the adult unemployed will be offered places on an entirely different kind of programme from the schemes established in the last few years. But can this revision meet the Government's objectives?

It is already clear that one of the Government's election manifesto guarantees will not be met. The Job Training Scheme, launched nationally in April with the aim of providing 110,000 places, is only offering about 19,000 places.

That means the MSC and the Government have to find a different way of implementing their guarantee for the 18-25-year-olds who are no longer eligible for the Community Programme, but who cannot get a place on JTS. The most likely solution is that the two schemes will be merged so that JTS becomes a branch of the Community Programme.

Senior officials at the MSC want to offer a more coherent programme for the unemployed, akin to YTS training, which combines different types of training within a unitary scheme.

The most likely outcome is that the Community Programme will be replaced by a new scheme, which will provide the backbone for provision for the unemployed.

If that seems relatively straightforward most of the other changes the Government wants are not.

Paying participants on a benefits-plus basis is intended to make the schemes more attractive to older people whose benefits are usually worth more than the average £67 a week Community Programme allowance. Voluntary organisations suggest that as few as 2 per cent of the 230,000 participants will be better off.

Moreover the attractions of the scheme will depend on the amount the Government decides to add to benefits as an incentive. During the election ministers intimated that the premium would be worth about £15 a week, but the Treasury has apparently suggested it should be about £5 a week.

Organisations providing places say that either figure will be insufficient to attract people to incur the expenses involved in taking part.

The trade unions are likely to oppose the introduction of the benefits-plus formula. But their opposition will be minimised by planned changes in the make-up of the commission which will give employers a significant majority on policy- making bodies.

But providing full-time places, with more training, will involve other obstacles. Almost 75 per cent of participants on the Community Programme are part-timers. That is essential if the wage bill is to be kept within Government guidelines.

Moving to full-time places, with training, for more than 250,000 people will be almost impossible without increasing the cost of the programme.

The only alternatives are either to make the programme cheaper, which implies that the younger unemployed will get much less than the £67 a week, or to make it a much smaller programme.

That option would mean that special employment measures would take fewer people off the registered unemployment count, a development ministers would not welcome. But organisations providing places on the scheme say that lowering the payments to younger people will make it far less attractive.

While the unions may not be an insurmountable barrier to the changes, voluntary organisations and local authorities could be.

The voluntary sector has effectively used the Community Programme to carry out work on a wide range of social services which the state will not fund directly. Most are not equipped to provide extensive training, even if that is mainly home learning or flexible learning at work.

There is widespread suspicion in the voluntary sector that the move towards benefits-plus payments presages the introduction of a British workfare system in which benefits are paid on condition that people take part in training programmes.

They argue that that would be the only way the Government could make the scheme less attractive for a lot of people but maintain the number of participants. Most see this as an unacceptable form of compulsion.

The opposition of voluntary organisations and local authorites might be a significant constraint on the plan, for they provide the majority of places on the Community Programme.

Unless the Government can swiftly find a new group of organisations to provide places it will have to listen to their criticisms.

Counsel for Pilkington auditor's inquiry

BY RICHARD WATERS

AN INQUIRY into the way Coopers & Lybrand, Pilkington's auditor, helped it to fight off a bid from BTR this year has been delayed while Coopers calls in a leading counsel - a rare move in a professional disciplinary hearing.

The hearing, which was due to be heard by the Institute of Chartered Accountants in England and Wales' disciplinary committee today, has been postponed until December 15 while Coopers prepares its defence and briefs its counsel, whom it declined to name. The institute has called in counsel as well.

The unusual move reflects the seriousness of the case to Coopers, accentuated by the fact that it has been made public. Disciplinary cases are normally handled behind closed doors by the accountants, with the defendants' names often not published, even if they lose their case.

The hearing follows a complaint from Sir Owen Green, the BTR chairman and himself a chartered accountant, about an attack on the company's accounts prepared by Coopers.

The document, which pointed to weaknesses in BTR's profit and cash-flow record, "contained substantial inaccuracies, was misleading and in our view fell far short of the professional standards which we would have expected of any reputable firm of accountants", said BTR at the time.

The charges, which are believed to allege lack of objectivity, have been brought against Coopers partner Mr Richard North rather than the firm, since the institute can only discipline individual members.

Mr North works in Coopers' corporate finance division and has never worked on the audit of Pilkington.

Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

Gold mining companies' reports for the quarter ended 30 September 1987 with comparative figures for the previous quarter

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Registration Number 01/00281/06
Issued capital: R12 227 106
(Divided into 6 113 553 shares of R2 each)

OPERATING RESULTS *(Unaudited)*	Quarter ended 30.09.87	30.06.87
Gold		
Ore milled – tons	1 731 000	1 920 000
Yield – grams per ton	2,8	3,0
Kilograms produced	4 847	5 760
Revenue – per ton milled	R85,13	R88,46
Working cost – per ton milled	R65,47	R55,25
Profit – per ton milled	R19,66	R33,21
Uranium		
Tons treated	413 000	746 000
Yield – kilograms per ton	0,16	0,18
Kilograms produced	67 278	134 511

FINANCIAL RESULTS (R000) *(Unaudited)*	30.09.87	30.06.87
Revenue from gold	147 369	169 839
Working costs	113 334	106 071
Profit from gold	34 035	63 768
Profit from uranium	1 186	3 745
Net sundry revenue	2 001	2 705
Profit before tax and State's share	37 222	70 218
Tax and State's share	338	3 252
Profit after tax and State's share	36 884	66 966
Capital expenditure	42 546	43 414
Dividends declared	—	61 135

Notes:
1. Gold price received: Rand per kg .... 30 087 .... 28 920
2. The uranium plant was closed during part of August and September 1987 due to the strike.

GOLD PRODUCTION
Mill throughput decreased by 189 000 tons in relation to the previous quarter and included 629 000 tons (611 000 tons) from surface sources. Ore milled from underground sources decreased by a further 207 000 tons as a direct result of the extended strike during August 1987. The impact of the strike affected production during September month to an even greater extent due to the need to engage and train new labour and to the general process of recovery from the disruptions that were caused.
The grade from underground sources remained constant.

SHAFTS
Doornkop Shafts
The installation of shaft steelwork is complete and commissioning is in progress. Development via the No. 1 Ventilation Shaft is nearing completion.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.09.87	30.06.87
Net expenditure: mining assets	41 139	43 894
: other assets	1 407	(480)
Capital commitments at end of period	61 168	61 233
LONG-TERM LOANS (R000)		
Balance at end of period	48 945	49 613
Interest paid during the period	134	162
Repayments due within one year	10 082	12 686

CONSUMER LOAN
The consumer loan has been converted to SA currency at the rate ruling at 30.09.87 which was R1 = $0,4760 (R1 = $0,4840 at 30.06.87). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

Western Areas

Western Areas Gold Mining Company Limited
Registration Number 59/03209/06
Issued capital: R40 306 950
(Divided into 40 306 950 shares of R1 each)

OPERATING RESULTS *(Unaudited)*	Quarter ended 30.09.87	30.06.87
Gold		
Ore milled – tons	959 000	881 000
Yield – grams per ton	3,4	3,5
Kilograms produced	3 289	3 084
Revenue – per ton milled	R100,97	R100,63
Working cost – per ton milled	R108,02	R108,11
Profit (loss) – per ton milled	R(7,05)	R(7,48)
Uranium		
Tons treated	156 000	124 000
Yield – kilograms per ton	0,36	0,38
Kilograms produced	56 150	47 159

FINANCIAL RESULTS (R000) *(Unaudited)*	30.09.87	30.06.87
Revenue from gold	96 923	88 656
Working costs	102 625	95 242
Profit (loss) from gold	(5 702)	(6 586)
Profit from uranium	4 594	4 053
Net sundry revenue	(848)	1 722
Profit (loss) before tax and State's share	(2 956)	(811)
Tax and State's share	—	(2 979)
Profit (loss) after tax and State's share	(2 956)	2 168
Capital expenditure	10 827	8 514
Dividends declared	—	—

Notes:
1. Gold price received: Rand per kg .... 29 616 .... 28 637
2. Revenue from gold and the reported gold price take account of gold and currency forward transactions.
3. The results for the quarter ended 30 June 1987 have been adjusted by the rebate of R6,0 million negotiated on service fees for the 1987 financial year.
4. The results for this quarter were only marginally affected by the recent NUM strike. Working costs include an abnormal item of R2.0 million or R2,10 per ton (R4,6 million; R5,20 per ton) in respect of redundancy payments.

GOLD PRODUCTION
The tonnage treated from underground rose to 924 000 tons (811 000 tons) and was supplemented by 25 000 tons (70 000 tons) from surface sources.

95 LEVEL TWIN HAULAGE
Preparation development around the No. 2 and 3 Sub-Vertical Shaft Systems is in progress.
The twin haulage development towards the South Deep Project area is planned to commence during January 1988.

WATER CONTROL PROJECT
Dewatering of the Gemsbokfontein Dolomitic Compartment is progressing according to plan.

CAPITAL EXPENDITURE (R000)	Quarter ended 30.09.87	30.06.87
Net expenditure: mining assets	9 055	8 958
other assets	1 772	(444)
Capital commitments at end of period	4 843	5 319
LONG-TERM LOANS (R000)		
Balance at end of period	18 125	18 750
Interest paid during the period	—	—
Repayments due within one year	2 500	2 500

FORWARD CONTRACTS
The company has entered into forward contracts up to December 1987 in respect of a portion of its gold production whereby the company is guaranteed a minimum revenue and a substantial participation in the event of higher prices prevailing. The company has also entered into currency forward contracts in respect of a corresponding portion of its expected gold revenue.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

H. J. Joel

H. J. Joel Gold Mining Company Limited
Registration Number 85/01985/06
Issued capital: R709 283,67
(Divided into 70 928 367 shares of one cent each)

PROGRESS REPORT	Quarter ended 30.09.87 R000	30.06.87 R000
Expenditure on capital account *(Unaudited)*	54 394	88 943

SHAFTS
No. 3. and No. 4 Shafts have reached depths of 1 008 metres and 948 metres respectively (949 and 844 metres) and shaft lining has been completed to 1 000 metres and 931 metres respectively (937 and 826 metres) below shaft collar.

DEVELOPMENT
Development on 60 Level has now advanced a total of 1 492 (906) metres.
The 70 Level mid-shaft loading facilities have been commissioned and development of the intermediate pump chamber and the main access roadway to reef has commenced.
In addition a total of 150 metres has been developed from the shafts on the 90 and 95 Levels.

SAMPLING RESULTS
A total of 238 metres of reef development has been sampled to date at an average reef width of 11 centimetres and a gold grade of 49,7 grams per ton or 547 centimetre-grams per ton.
Additional dip faulting has been encountered on the reef drive west of the main access roadway and this has required further revision in the planning and scheduling of the reef development and stoping programme. This will delay the commencement of gold production by approximately two months.

UNDERGROUND CONSTRUCTION
On 60 Level the waste tip was completed during the quarter. The construction of the workshops and reef tips is still in progress.

TREATMENT PLANT
Construction of the first module of the metallurgical plant is nearing completion and commissioning is in progress.

SURFACE INFRASTRUCTURE
The No. 1 and No. 2 Shaft terrace earthworks have been completed.
The infrastructure for No. 3 and No. 4 Shafts is well advanced.

HOUSING
107 houses (77 houses) have been completed in Virginia where a further 22 houses are under construction.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Registration Number 65/10728/06
Issued capital: R30 203 000
(Divided into 30 203 000 shares of R1 each)

Shareholders are advised to study the operating results published by Western Areas Gold Mining Company Limited.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

Copies of these reports and development and sampling results for Randfontein Estates and Western Areas are available on request from the offices of:

Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE, England

19 October 1987

UK NEWS

Hazel Duffy shows how a new grant will fight city dereliction

Short-cut route to urban renewal

URBAN REGENERATION grant is the Government's latest weapon in its attack on inner-city dereliction.

The grant's main advantages over other Department of the Environment grants - apart from the ease with which it can be shortened, however unceremoniously, to URG - is that it is awarded straight to developers on sites of at least 22 acres. By that means, it is hoped that it will help to speed up regeneration by encouraging private investment in fairly large developments.

URG has already come in for criticism from the developers and contractors - the very people the Government wants to encourage. They object to the time that it is taking to appraise the applications.

The DoE hopes that after the official announcement of the first grant yesterday, others will follow quickly. The grant was launched officially last spring, but the Government had given notice of its intention several months earlier. The only explanation for the long period of appraisal and negotiation is that the assessors are handling a new grant which necessarily involves a learning curve.

The Dudley project is fairly straightforward. The application was from a single developer - one of the companies in the property group owned by the Richardson brothers. The project is for the construction of high-quality industrial units to be built on 36 acres. Before building can start, the site, part of the former Round Oak steelworks, has to be cleared of derelict buildings. The Dudley enterprise zone site is owned by the developers.

The complete project is costed at £17.5m, of which the Government will pay £3.25m. The plan is that around 1,000 jobs will come to this now derelict area, which is a key factor in the DoE's grant offer.

Applications for grants on projects with a big ingredient of job creation, therefore, would seem to get sympathetic consideration. There can be no guarantee, however, that the jobs will follow construction of the buildings.

An independent study for the DoE, which will be published, shows that the Department has tended to overestimate the number of genuinely new jobs that have been created through grant-aided projects as opposed to transfers from other areas.

Considerable importance is being attached to the pre-application stage for URG, to encourage developers to submit well thought-out proposals.

Applications are then assessed by a team of three chartered surveyors, one quantity surveyor, and an accountant, seconded from the private sector. The costs and final values of the development are worked out in relation to the local market, although if there has been little activity in the area - as is frequently the case where there is a lot of derelict land - some broad-brush assumptions might have to be made.

The Government's aim is to pitch the grant at the level which will make the project happen, but not so high as to give developers an unnecessary advantage. A maximum of about £4,000 a job is also brought into play in the assessment.

Proposed projects in Hull, Sheffield and Doncaster are currently being assessed, all submitted by single developers. Several "composite" project proposals have also gone in.

Some are from consortia with a lead developer, while the Phoenix Initiative has co-ordinated an ambitious project for the regeneration of the Whitworth Street area in Manchester.

On some of them, the gearing of private to public investment will be considerably less favourable to the public purse than the Dudley project. The DoE will then have to decide whether to go along with them, in the hope that the early projects - like the proposed conversion by Wimpey of warehouses into flats in the Manchester Phoenix project - will instil confidence in the area so that less public money will be needed for subsequent developments.

Developers, naturally, will seek to minimise their risk, leaving the Government to decide how much it is prepared to spend on pump-priming urban renewal. There was no specific allocation for URG in the the DoE budget for the current financial year. Next year is uncertain, with the department's budget bid not yet settled, but officials say that the money will be there if the projects can justify it.

THE GOVERNMENT's first urban regeneration grant will be £3¼m for a West Midlands project, supporting a £17½m plan to reclaim and develop a derelict 36-acre site of the former Round Oak Steelworks within the Dudley Enterprise Zone.

Richardson Brothers, the Midlands developers of the project will eventually provide 421,000 sq ft of industrial and commercial units.

Mr David Trippier, the Department of the Environment minister with responsibility for inner cities and urban development, said: "This new grant, which is designed specifically to attract private-sector investment and new jobs into urban areas, is a critical weapon in the Government's strategy to revive the economy of our rundown industrial areas."

The Dudley venture would provide up to 1,000 jobs in the businesses that would come into the area, he said. "Nothing succeeds like success and this project will blaze a trail for other developers to follow here in the Midlands and throughout the country."

Air traffic continues sharp rise

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR TRAFFIC to, from and within the UK continues to increase at a rapid rate.

Figures issued by BAA, formerly the British Airports Authority, show that in the 12 months to end-September, its seven airports (Heathrow, Gatwick, Stansted, Glasgow, Prestwick, Edinburgh and Aberdeen), handled more than 60m passengers, 12 per cent more than in the previous 12 months.

Heathrow handled 34m, a rise of 10.3 per cent, Gatwick 18.7m, a rise of 17.3 per cent and Stansted 687,700, a rise of 30.4 per cent.

The expansion is confirmed by the Civil Aviation Authority, which has figures of its own showing that by the end of this year about 3m aircraft movements will have been handled by its air traffic controllers at centres and airports throughout the UK - a rise of nearly 7 per cent over 1986.

"This summer has been the busiest season in the history of UK civil aviation," says the CAA, "and the authority is pursuing a wide-ranging programme to enable the National Air Traffic Services to cope with next summer's traffic and with the expected increases in the coming years."

The programme covers equipment, systems, management and manpower utilisation.

The authority says that having completed an investment programme of £125m over the past five years in new equipment (including £50m to replace radars covering the whole of the UK), it will be spending another £200m in the next five years.

That will cover improvements to computers and other systems in the London Air Traffic Control Centre.

In other areas, the authority says efforts are being made to improve the morale of air traffic controllers, while expert independent surveys have been commissioned to advise on management organisation and project management.

Changes in working practices for controllers and engineers, to secure a more efficient deployment of staff, have been agreed in principle with their trade union.

They will enable the authority to match staffing more closely to traffic demand, as recommended by the Monopolies and Mergers Commission.

In addition, the authority has begun work to centralise approach control to all London airports, with efforts to plan air traffic flows to ensure that neither the system nor the controllers are overloaded at peak periods.

A committee, including senior figures in the air transport industry, has also been studying runway utilisation at London's airports and is expected to report to the Transport Secretary this year.

The authority recognises that the substantial increase in traffic has put extraordinary pressures on both the system and staff, but believes that the improvements already made, together with those in the pipeline, "will enable the National Air Traffic Services to meet the formidable challenges ahead".

Scots Tory MP raps schools proposals

By James Buxton

MR ALICK Buchanan-Smith, a leading Scottish Conservative backbench MP, has voiced strong criticisms of the Government's proposals for greatly increased parent power in Scottish schools.

He has told his constituents in Kincardine and Deeside, in Grampian region, that the proposals go too far and will cause unnecessary disruption at a time when Scottish schools are still recovering from the two-year teachers' strike, and adapting to changes in the curriculum.

Mr Buchanan-Smith was Minister of State at the Department of Energy until the election. He then declined a government post and returned to the back benches.

He is criticising proposals by Mr Michael Forsyth, Scottish Education Minister, under which school boards in which parents would be in the majority would be set up.

Among their minimum powers would be the right of veto over the schools' headmasters. The boards could eventually acquire control over the budget of their schools and the power to appoint all members of staff.

The proposals have aroused widespread opposition from Scotland's predominantly Labour-run local authorities and from trade unions.

But a System Three opinion poll commissioned by the Scottish Consumer Council produced a two-to-one majority in favour of school boards having "an important say in the running of the school."

Mr Buchanan-Smith says he has not received a single letter from his constituents expressing support for the proposals. Instead his constituents tell him that the existing schools council system works well.

He said yesterday that he would be urging Mr Forsyth simply to strengthen the existing system and bring the less good schools councils up to the level of the better ones.

Footwear industry sales static

BY ALICE RAWSTHORN

THE BRITISH footwear industry suffered from sluggish sales in the first half of the year but expects healthier demand in the closing months of 1987, according to a study published by the British Footwear Manufacturers Federation.

It reports static volume sales and a slight decline in the value of shoes sold in the first half by the industry, which has just emerged from a prolonged and painful recession.

British manufacturers also suffered from a surge in sales of imported footwear. Imports rose to record levels in both volume and value terms - to 67.5 per cent and 54.1 per cent respectively - in the first half.

The influx of imports from the Far East increased dramatically, fuelled by the weakness of the dollar, which ensured that Far Eastern footwear was diverted from the US market into Europe.

In recent years the British shoe industry has suffered because of competition from cheap imported footwear, chiefly from Italy, Spain and Brazil. The industry reached its nadir in the early 1980s, when dozens of factories closed and thousands of jobs were lost.

The flow of imports peaked in 1984. Since then, the 750 or so British footwear companies have regained some lost ground.

The domestic industry has been helped by the trend for more traditional styles of shoes: brogues for men and courts for women. Above all it has benefited from investment in new technology which has enabled it to cut costs and become more competitive in the battle against imports.

So far in the second half of 1987, the outlook for the industry is more optimistic. The federation reports that the value of orders received by British companies in the main summer months - which is a crucial period for the autumn retail season - was 25 per cent higher than in the same period last year.

Similarly, the industry experienced an increase in overtime working during the summer. That is thought to have continued into the autumn.

The outlook for consumer sales is relatively favourable, with the trend for consumers to buy shoes more frequently continuing.

Moreover, fashion favours intricately styled shoes that tend to be more expensive than simpler designs. But some manufacturers have expressed concern about the impact of such complex styles on profit margins.

Ulster clothes group creates 150 jobs

BY OUR BELFAST CORRESPONDENT

DESMOND AND SONS, one of the largest clothing manufacturers in Northern Ireland, yesterday announced the creation of 150 jobs in Londonderry as part of a four-year, £13m investment plan.

The project involves the company's factories in Dungiven, Omagh, and its two plants in Derry - Springtown, where the jobs will be created, and Newbuildings. The four factories employ 1,000 people who make trousers and jeans for Marks and Spencer.

Desmond has another five plants in Northern Ireland making different types of clothing, all of it also sold to Marks and Spencer.

The company's total workforce has risen to 2,300 and during the last four years it has put about £15m into new plant and equipment.

Mr Denis Desmond, chairman and chief executive, said: "We see the announcement as very important for the company as our outerwear development programme is a further step in a continuous process of reinvestment for growth.

"Clothing is an intensely competitive business in the UK and local manufacturers must continue to invest heavily not only in manufacturing but also in marketing and design if they are to win business."

During the £13m investment programme, £2.5m will be spent on extensions to existing buildings and £10.5m on re-equipment.

A laundry, costing more than £1m and sited at the Newbuildings plant, is the first stage in the new programme for the outwear units.

Companies 'fail to hold graduates'

ABOUT ONE in four of the companies which go to considerable expense in recruiting and training graduates have difficulty in retaining them, according to a survey published by Charles Barker Graduate Recruitment Services yesterday.

The study, which covered 57 organisations in Britain, found that problems in keeping graduate recruits were particularly severe among companies in accountancy, banking and other financial services.

Machine tool site's future assured

BY NICK GARNETT

THE GROUP of investors who have just purchased DeVlieg, the US machine tool company, say they intend continuing production at the company's Lutterworth site in Leicestershire.

Since the acquisition of the company from the DeVlieg family, Okuma, the Japanese machine tool company, has terminated the agreement by which DeVlieg assembled Okuma machining centres under licence.

Mr Kevin Reynolds, personnel manager at Lutterworth, said the company was keeping options open on what new areas of business it might develop to compensate.

Lutterworth also manufactures a wide range of equipment and machines from cutting tools and tool pre-setting machines to special-purpose machines costing up to £1m. The site employs 200 people and had sales of £11m last year.

Mr Reynolds said there were no plans to cut the workforce at the site or reduce the plant's floorspace.

Acquisition of the Michigan-based company is the latest in a series of changes reshaping the ownership structure of the UK machine tool industry.

Some shop stewards at TI Machine Tools, the second largest indigenously owned UK machine tool business after the 600 Group, have also been expecting an announcement that the business will be sold.

The machine tool industry has been full of rumours in recent weeks that a sale will be announced shortly. A disposal of the company would fit the new policy at the TI Group under Mr Chris Lewinton, its chief executive. It has already comprised the sale of its white-goods and Raleigh bicycle businesses.

In meetings with shop stewards the company, which had £26m turnover last year and which has been cutting into its losses with the help of a healthy order book, has neither denied nor confirmed the likelihood of the sale of the business. The group last week said it did not comment on rumours.

In the past year, at least six machine tool businesses have changed ownership. Ex-Cell-O, which has a plant in Leicester, was the subject of a West German-led management buyout from its US parent, Textron.

Bridgeport, which has production facilities in Leicester and Bridlington, North Yorkshire, was also the subject of a management buyout, led by its former US managers.

Staveley sold Lapointe, a manufacturer of broaching machinery, to Marbaix. That marked the withdrawl of Staveley from machine tool manufacturing.

PGM Ballscrews, part of the Irish Silvermines Group acquired W.E. Sykes, a gear-shaping machine maker from the 600 Group.

Part of the former White Consolidated machine tool operations in the UK, purchased last year by Electrolux of Sweden, has been bought by its management and renamed BSA Tools.

THE ARTS

London Galleries/William Packer

Of sacred beasts and bullish things

Maggi Hambling, whose paintings and drawings now fill the Serpentine Gallery (unscathed amid the tragic shambles of Kensington Gardens: until November 22) is now in her early 40s. She has been showing her work with some regularity since her late 20s, but usually in mixed company. Her only two previous solo outings — at the National Gallery in 1981, where she had been the first artist-in-residence, and at the National Portrait Gallery in 1983, where she showed her ambitious series of paintings of the actor and comedian, Max Wall — were both centred upon particular projects and preoccupations.

Now, with work mainly of the last few years, she shows us the broader range of her activities and interests as a painter: we discover not only the portrait painter but the animal painter too — and the landscape painter, the ironically dispassionate social observer, the symbolist, the romantic expressionist. And always she is enthralled by paint itself, and the ways in which it may be worked.

Not everything, of course, comes off with equal success. Never one to shirk a painterly problem, whether of scale, practical expression or actual subject-matter, she sometimes takes on a theme that would daunt or embarrass someone more circumspect. Such honest ambition is to be cherished: for it is by accepting the risk of failure that the greater success is to be won. The greatest artists have been known to fall on their noses from time to time, and their reputations still survive. But though the smaller, more personal work may be safe, it may also serve to validate the larger. Here, so much of what is attempted in the larger works is accepted and understood because of the quality of the studies and smaller works.

An old woman shuffles along a London street past a yellow car, the whole composition fully worked and resolved in formal terms: but it is the oil study for the head that is the greater painting, and the single most beautiful and touching work in the entire show. A derelict lies unconscious on the bare pavement — and there too is the drawing to fix and confirm the humane observation. Large, vigorously expansive sunrises, teased up to the very brink of abstract expressionism, occupy many canvasses; yet the studies of sea and sky in wash and water-colour, and the small oil paintings of Welsh hillsides in the rain, speak more of Miss Hambling's long and continuing consideration of nature and landscape.

"Fallen Bull" by Maggi Hambling, 1985

But the ambition of the larger works, of sunrises, social *casualties*, *bull-fights* and minotaurs, is inescapable, and in the end commands respect. For she could have played it safer, sticking to a single theme or choosing less exceptionable subjects, or more obviously taking sides. Artists these days air their political and social consciences as promiscuously as pop-singers; a tramp full-length in the street seems obvious enough. Yet here the objectivity of the observation and the formal integrity of the statement are what give the painting its particular critical edge.

But what are we to make of the bull-fights, paintings of a subject no right-minded person should entertain—even though the torero seems to be getting the worst of the encounter. Her interest is with the bull as a quasi-mythic, elemental force, so close to the origins of the bull-fight itself in ancient ritual and religion. It leads her on directly to the myth of the Minotaur, the monstrous child of Pasiphae, wife of King Minos, by the bull mischievously sent her by the god Poseidon.

Queen Pasiphae's actual impregnation is the subject of perhaps the bravest, certainly the most indelicate of Miss Hambling's paintings; it works so strongly on the more literal imagination as to distract at first all other consideration. Leaving aside the convention that copulative imagery is more usually consigned to private celebration, we should perhaps remember that were we not so inured to images of the Crucifixion and violent religious deaths, our immediate thoughts on them would often take a similar turn.

In fact her painting is admirably straightforward and robust, neatly avoiding the bathos, prurience and practical improbability that inevitably attend any such exercise by the simple expedient of ignoring them. But she does not escape them entirely, nor perhaps would wish to, for this beast has nothing of the implacable horror of the Minotaur itself, with its regular tribute of sacrificial youth; this darker question she hints at in another painting.

This is the creative, parent bull, mounted by way of a convenient rock as the Queen, by now half-heifer, presents herself. Beauty and the Beast, Bottom's translation and all the myths that address themselves to man's equivocal and troublesome animal nature spring to mind, and there is no counter-argument to disqualify any contemporary artist's interest in the matter. The treatment only may be black or white, comical or tragic: and here, in this bull's single-minded and serious attention to the job, there is surely a quality of the comical and ludicrous, something closer in spirit to Big Business at Cold Comfort Farm than to the Beast in his dark Labyrinth.

★

There are more gods and sacred beasts to be found at the Nigel Greenwood Gallery (4 New Burlington Street W1: until October 31) where Dhruva Mistry is showing his recent sculpture. Mistry is a young Indian artist who studied at the Royal College in the early 1980s, and has necessarily had wide and direct experience of western and contemporary art. But he has never moved away, either in formal terms or in the imagery he draws upon, from the ancient sculptural tradition of *India*; this infinitely rich and inexhaustible source gives his work its substance, if not its superficial sophisticated gloss. It is the creative combination of east and west that supplies the ambiguity to the work.

But whether we take his work as a function of western modernism, with its emphasis upon individual experience and expression, or of ancient tradition, it remains as beautiful, intriguing and stimulating as ever. This time he gives us no free-standing beasts or figures but large roundels that carry their polychrome images modelled in either positive or negative high relief. The naked woman, earth mother or queen of heaven stands or lies or moves across the space with often her sacred animals and attributes to attend her, at once heraldic and celebratory.

★

Flowers in Contemporary British Art at the Anne Berthoud Gallery (10 Clifford Street W1: until November 21) is exactly what its name suggests, an ad hoc gallery show that tells us that artists today, in spite of the popular belief continue, as artists have in every age, to have a natural and practical delight in flowers. And who would complain at that? Here there are notable examples by Euan Uglow, John Lessore, Leonard McComb, John Kirby, Patrick Proctor, David Tindle and Dennis Creffield among many others.

Rostropovich/Festival Hall and Barbican

David Murray

Mstislav Rostropovich has been 60 since last March, but the birthday celebrations have crossed the Atlantic and are still going on, *now* with the London Symphony in tow. Sometimes Rostropovich wields his cello, sometimes a baton: on Thursday night on the South Bank the baton was held by Maxim Shostakovich while the cellist played Britten and Dvorák. But young Shostakovich opened the concert with "Slava!" the piece Bernstein wrote for the birthday of 10 years ago; it is essentially a *swinging musical comedy overture* with interpolated shouts of "Slava!", and Shostakovich managed a tolerable imitation of Bernstein's own podium-discoing.

That was his best performance of the evening. In Dvorák's evergreen Cello Concerto he supplied a conventional, unimaginative accompaniment for the soloist's freshly eloquent playing. Britten's Cello Symphony fared worse, for though Rostropovich —its dedicatee— delved more deeply than ever into this austerely wrought score, Shostakovich seemed altogether uncertain what to do with it. For a start, it needed far more incisive rhythm and shriller orchestral voices than he dared to ask for; much of the work emerged in savourless, disheartening grey.

On Sunday at the Barbican, *Rostropovich managed the* orchestra much better in Chaikovsky and Prokofiev. The *former's Fifth Symphony*, which he has been known to take dangerously slow, went with passionate conviction (and some elegant touches in the diction of the strings). In particular, he delivered the Finale with such well-paced vitality that there was scarcely a hint of either bombast or hysteria: for the first time in years I actually enjoyed it.

Prokofiev's Fourth Symphony, a rare bird in the concert hall, was doubly welcome. Drawn from his opera *The Fiery Angel* at a time when he despaired of seeing it staged, the symphony fully shares the feverish, shuddering, obsessive climate of its source. There is nothing else in Prokofiev much like it, except the even more brutal but less visionary Second *Symphony. The LSO missed* the piercing exaltation of some of its quasi-vocal lines, doubtless through unfamiliarity, and Rostropovich allowed the development of the first movement to sound too thickly Hindemithian; but otherwise the music made its proper disturbing impact, fantastical and sinister.

The Kingdom/Festival Hall

Paul Driver

Elgar's oratorio *The Kingdom* is a fine, grand, seamlessly lyrical work but, compared with *The Dream of Gerontius*, it lacks drama and, quite simply interest—one is never unduly concerned to know exactly what is being sung about at any given moment, and there is doubtless something in the subject matter itself (the Acts of the Apostles) which is impersonal and anticlimactic. As a result, the wistful tone which dominates the music can easily sound just jaded. Elgar's tenderness can come over merely as fusty and antiquarian. Emotionally, the work is not *archetypal* enough (a point borne on us all the more strongly when the music starts to resemble *Parsifal*), but it is too lyrical by half.

Leonard Slatkin's account of it with the London Philharmonic Orchestra and Choir last night at the Festival Hall made as good a case for it as one could ask, however. In spite of his reputation as a whipper up of modern orchestras, a man of spit and polish, Slatkin did not go to work on *The Kingdom* with brashness and flashness: rather he shaped the whole enormous five-part structure with steadily attentive musicality, secured exquisite mixtures of sound, and never covered the solo or choral voices with ill-judged orchestral volumes. He shaped local structures with impressive care also: the Prelude was a beautiful little symphonic poem, the climax of Part 3 had a finely measured might and majesty.

There was a team of seasoned soloists: Alfreda Hodgson sang the contralto part with her familiar warmth and skill, Yvonne Kenny the soprano part: she was a little featureless in her interpretations, I thought, and though "The Sun Goeth Down" had eloquence and purity, it could have had a mite more passion and conviction — the very purity of Kenny's approach left the *scena's* sentimental grandiosity nakedly revealed. Robert Tear was the distinguished tenor, but the evening went to baritone Benjamin Luxon, who made St Peter's orations tingling vast of import. The LPO Chorus furnished a rich and satisfying sound, and was lucid at most dynamic levels.

Roza/Royale, Broadway

Frank Lipsius

Hal Prince has had a hard time here during the Reagan years—directing a string of failures like *Grind, A Doll's House and The End Of The World* and *suffering* the embarrassment of being known more for the expense of his failures than their merits.

Sad to say, Prince has yet to re-conquer Broadway. *Roza* (now closed) is a misconceived variant on the *Oliver/Annie* theme of turning miserable orphans into cheerful heroes. But this time, following Romain Gary's novel, La Vie devant Soi (and the 1977 Simone Signoret film, Madame Rosa) the focus is on the gruff caretaker rather than a child. To make the heroine more appealing and understandably grumpy, the children are loud, demanding, messy, exasperating, and altogether not pleasant to watch.

Throwing children away as an automatic source of amusement or sympathy, Julian More's book carries out somebody's bad idea of realism, featuring characters who hopelessly succumb to squalor, poverty, and petty crime. Roza, who is supposed to be an inspiration to the others (at least until Act Two) keeps a portrait of Hitler to remind her of her past, as revealed in a particularly ghoulish song about going to a concentration camp.

Toward the end of the first act, ageing, out-of-shape Roza does a frenetic but monotonous two-step until she collapses. Suddenly you realise the only thing more deadly would be the play without Roza, especially with the energetic and go-for-the-heartstrings. Georgia Brown in the title role: but the second act makes a slow, agonising spectacle of Roza's death.

The second lead, Bob Gunton, as Lola, is a man at an advanced stage of becoming a woman, but stuck as a prostitute to pay for the operation he suggestively *though distastefully calls* "snip, snip." Tall and statuesque, with a growing dowdiness that looks acurately trans-sexual, Gunton is also attractively athletic—as befits his explanation that he had once been a boxer to prove his masculinity to his parents!

Julian More's lyrics start encouragingly with the rousing song "Happiness" and its opening line "you don't know how happiness hurts till you've known it, blown it." Gilbert

Georgia Brown

Becaud puts a good tune to it, but his spritely numbers sometimes lose their distinctiveness to a jangling bossa nova beat, because Lola is Brazilian.

The two acts are separated by four years, as portrayed by a long production number to end the first act, with the ghastly sight of Roza four years older and infinitely closer to death. Just before Roza dies, she sings a duet, "Don't make me laugh," with Lola. Lola admits, "I am no longer a man," to which she responds, "And I am no longer a woman," an assertion that should make elderly rights groups, like the Gray Panthers, see purple. As Roza falls into a coma, Lola, dressed for once as a man, leads a voodoo ceremony to rescue her. A climatic event becomes comic in a characteristically arbitrary scene.

Soviet emigre Alexander Okun's set does too good a job reflecting the dreary production. It's highly raked floor piles different levels of the poor Paris pension around the stage at haphazard, awkward angles. The dark, muddy colours suggests that taste, not poverty, makes theatre in Eastern Europe look as drab as it often does.

Hal Prince is due to have two more Broadway openings this season, both with stellar track records. The 21st anniversary production of *Cabaret* opens later this month reprising Joel Grey as MC, and the *Phantom of the Opera* arrives from its sell-out London run for a January opening. Prince has also announced the start of a production company with Andrew Lloyd Webber. Let's hope *Roza* gets the Reagan doldrums out of his system.

Russian operas round and about in America

Andrew Porter reviews Prokofiev's 'The Love of Three Oranges' and Rimsky-Korsakov's 'The Golden Cockerel' and 'Tsar Saltan'

The Hollybush Festival is one of America's better-kept secrets. I'd not heard of it before this year; few people in New York seem to have heard of it. It is held on the campus of Glassboro State College, in southern New Jersey, not far from Philadelphia. Lyndon Johnson and Alexei Kosygin held a 1967 summit meeting on the campus, and in this 20th-anniversary year the festival fare was Russo-American. The Kirov Ballet and the New Jersey Ballet danced. The New Jersey Symphony, under Hugh Wolff, played the prize-winning works of a USA-USSR competition (Milton Babbitt and Shchedrin leading the judges). The operas done were Carlise Floyd's *Susannah* and Prokofiev's *The Love of Three Oranges*, and four artists from Moscow's Stanislavky Theatre came over to take part in the latter.

Treated as no more than a decorative romp, the *Three Oranges* becomes a bore. But in Hollybush it had a keen, intelligent production, directed by Tamas Ferkai (Hungarian-born, Vienna-based) and conducted by Vyekoslav Sutey (director of the Split Opera). A line in the programme—"*The opera takes place in a Hollywood film studio*"—was ominous: that tired device was also applied this summer to Rossini's *Cenerentola* (in St Louis) and Mozart's *Finta giardiniera* (in Lenox, Massachusetts). But it did little harm to Prokofiev's opera, which is at once a fairytale, a comedy, and a practical demonstration and discussion of the ways in which different theatrical and operatic manners work on an audience. The "filming"—there wasn't much of it—added nothing, but it hardly got in the way.

The tenor Vitaly Terashenko, the best of the Russian guests, made a strong case for all-conquering lyricism. The episodes of farce, menace, comedy, tragedy, romance, satire were all vividely handled. It was a carefully balanced and high-spirited presentation. Among the Americans, Badiene Magaziner's *gleaming Fata Morgana* and Gweneth Beau's lustrous Princess Clarissa were outstanding. Best of all, an ad-hoc large cast, large chorus, and large orchestra executed the virtuoso score and a brilliant, scenically elaborate staging with verve and precision.

Elsewhere, there were two Rimsky-Korsakov productions. The Kentucky Opera, in Louisville, chose *The Golden Cockerel*—the most often performed and the least affecting of Rimsky's operas. (I remember Harold Rosenthal, in 1969, calling the piece one of the five most boring he had encountered at Covent Garden.) Kentucky recreated David Pountney's 1975 Scottish Opera production, in decor by Sue Blane and Maria Rjornson. It ignores at least two of the instructions in the score: "The composer does not allow cuts" (*The Golden Cockerel is a short and carefully balanced opera*); and "Actors onstage but not singing should not draw attention to themselves by excessive by-play and movement; the opera is primarily a musical work of art."

In this version, the cokerel was not an amusing, ingenious mechanical bird but a trapeze artist, doing stunts the applause for which drowned the music. There was a great deal of added, irrelevant business, and no true feeling for Pushkin or for Rimsky. The piece was treated as a work in need of "saving" by means of trimming, embellishment, and distractions. The popular mis*prision of the composer* as a sikilful but cold, heartless creator was reinforced. It was a crisp, dapper show put on by people who showed no belief in the original work.

But there is more to Rimsky-Korsakov than *The Golden Cockerl*: nature magic in *Snow Maiden*, epic vigour and sea magic in *Sadko*, variety and swiftness in *Tsar Saltan*, visionary tenderness in *Kitezh*. The Indiana University Opera Theatre, in Bloomington, put on *Tsar Saltan*, a beautiful opera (also after Pushkin), filled with romance, marvels, and adventures, and did it very well. Max Röthlisberger *designed* (*a bewitching swan*, gliding on azure waves as she sang; an agile and entertaining bumble-bee); Nicola Rossi-Lemeni produced; and Bryan Balkwill conducted.

There was an accomplished young student cast—alternate casts, in fact. In mine, the tenor Mark Smith, as Prince Gvidon, was outstanding. The piece held one spellbound. Once again — as after Bloomington's *Christmas Eve* 10 years ago, and Boston's *Kitezh* in 1983 — one was left wondering why the major opera companies neglect a composer whose works reveal such variety, richness of spirit, and warmth of emotion.

Arts Guide

October 16–22

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: further performances of the new Nozze di Figaro, conducted by Bernard Haitink) produced by Johannes Schaaf, with a splendid cast including Claudio Desderi, Thomas Allen, Marie McLaughlin, and Karita Mattila. (240 1066)

English National Opera, Coliseum: Werther, in the new staging by Keith Warner, with Arthur Davies and Ann Murray in leading roles; Sondheim's Pacific Overtures, another Warner staging, and a worthy addition to ENO schedules and Bizet's Pearl Fishers, musically excellent (conducted by Charles Mackerras, with Valerie Masterson) Adrian Martin, and Sergey Leiferkus), dramatically less persuasive as produced by Philip Prowse. (836 3161).

AMSTERDAM

Amsterdam, Muziektheater. The Netherlands Opera production of Verdi's Don Carlos directed by Alberto Fassini to the mise-enscène by Luchino Visconti. Hartmut Haenchen conducting the Netherlands Philharmonic, with Nell Rosensheim in the title role, Susan Marie Pierson (Elizabeth), Harry Peeters (Philip II), and Mimi Lerner (Princess Eboli) (Tue). The National Ballet company in Shamrock, a new work by Carolyn Carlson to music by Gabriel Yared (Wed matinee, Thur). (255 455).

Eindhoven, Schouwburg. Opera Forum in Lehar's Merry Widow directed by Wilfried Steiner and conducted by Kasper de Roo (Thur). (11 11 22).

The Nederlands Dans Theater with the premiere of Song of the Night (Murphy/Szymanowsky), Ricercare (Tetley/Seter), Silent Cries (Kylian/Debussy) and Sechs Tänze (Kylian/Mozart). Tue in Utrecht, Stadschouwburg (31 02 41). Wed and Thur in The Hague, Danstheater (60 49 30).

Scheveningen, Circus Theatre. The Scapino Ballet with Pulcinella (*Christe/Stravinsky*). *In the Future* (Van Manen/Byrne), Bagatelles (Wubbe) and Strings (Christe/Bartok (Wed). (55 88 00).

Eindhoven, Globe Theatre. The Shusaku & Dormu Dance Company with Cube-Nu (Tue). (11 11 22).

NEW YORK

Metropolitan Opera (Opera House): Das Rheingold joins the repertoire, conducted by James Levine in Otto Schenk's new production with Hildegard Behrens, Gwendolyn Bradley, Anne Gjevang, Peter Hofmann and Franz Mazura. The week also features L'Elisir d'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Shexnayder; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conducted by James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

New York City Opera: The week features Madama Butterfly, La Bohème, Turandot, Faust and The Rakes' Progress. Lincoln Center (870 5570).

Martha Graham Dance Company (City Center): A world première and major revivals will be included in the three-week season of the renowned company. Ends Oct 25. 55th e. of 7th Av. (581 7907).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

WASHINGTON

New York City Ballet (Opera House): Two-week visit features mixed programmes including Swan Lake Act II, Agon and Brahms/Handel. Ends Oct 25. Kennedy Center (254 3770).

Carmen. Concert version with Fiorenza Cossotto singing the title role, Giorgio Lamberti as Don José, Mauro Augustini as Escamillo and Kyoko Tsukada as Micaela, Tokyo Philharmonic Orchestra and chorus conducted by Alberto Ventura. Suntory Hall (Tue). (505 1010).

Matsuyama Ballet Company. The Unfinished Mandala, a new work created by the artistic director, Tetsutaro Shimizu who also dances the leading role with Yoko Morishita, Tokyo Bunka Kaikan. (Tue). (408 6840).

Dance at the Gathering (Contemporary). Kaoru Ishii, Mika Kurosawa, Hikari Baba and Norio Yagashita, four of Japan's most innovative and interesting dancers. Aoyama Theatre, near Omotesando. (Tue, Wed, Thur). (797 5678).

Exhibitions

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), Athla and Athletics in Classical Greece at the Palazzo dei Conservatori at the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, while the second, at the Museo della Civilta Romana (Piazza G Agnelli 10, Eur-Rome), entitled Sport in Antiquity recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeons' and obstretricians' tools, weights and meansures and scale models of bridges, viaducts etc.). Ends October 25.

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

European Nature in 18th Century Japanese Art. This exhibition is of Japanese art inspired by Dutch manuals imported into Japan in the early 18th century after the Japanese Government lifted its 200-year-old ban on foreign materials. The 180 paintings and sketches of European flora, fauna and people throw some more light on the Japanese phenomenon – information-hungry and seeking to catch up with the West from the first slight opening of the door to the outside world in 1720. Suntory Museum of Art, Akasakamitsuke. Ends October 25. Closed Mondays.

Saleroom/Antony Thorncroft

Stool triples estimate

The art market these days seems a more resolute place than the stock market. It was always comfortably parroted that if the Dow Jones fell in New York the slump in price at the auction houses would follow on inexorably. But after the 100 point collapse on Friday on Wall Street both Sotheby's and Christie's had successful sales on Saturday.

They were disposing of English furniture which had been one of the most buoyant sectors of the past year. Christie's did especially well with only 2 per cent unsold, but it was offering some particularly interesting pieces, with excellent provenances.

Pride of place must go to an oak stool which George IV ordered from the London firm of Morel and Seldon where he was converting Windsor Castle in the 1820s from a medieval fortress to a comfortable home. Intended as a window seat, the stool, probably designed by A. W. N. Pugin, sold for $26,400 as against its top estimate of $9,000. It was in the Gothic style which had just become all the rage. The fact that it carries its original label boosted its value.

The great passion of 18th century England was for chinoiserie and the auction also included a well preserved set of Chinese wallpaper, totalling 90 feet, and dating from around 1750. So typical was it of its period that it had been installed in 1933 in the supper room of the Governor's Palace in Colonial Williamsburg, the museum in Virginia which successfully re-creates pre-Revolution America. The paper had originally graced a house in Gros*venor Square, London. It sold* for $66,000, at the low end of its estimate, but then it will probably be necessary to build a room to fit the wallpaper. Unlike museums in the UK American institutions see nothing wrong in selling off their treasures to raise the cash for new purchases. Williamsburg sold the wallpaper because its researches suggested that the craze for chinoiserie did not grip the fledgling American colonists so firmly and it could not justify an interior which was not authentic to Colonial Williamsburg.

Top price at Christie's was the $209,000 paid for another chinoiserie piece, a library chair which was probably made around 1755 to help Lord Bessborough furnish Ingress Abbey. Christie's credits Sir William Chambers with the commission. It was bought by a Washington collector. Its pair sold to the London dealer Phillips for $198,000. Both were well above their $100,000 top estimate.

FINANCIAL TIMES

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday October 20

Coming down to earth

BLACK MONDAYS rarely live up to the description so dramatically. Yesterday's 11 per cent collapse in UK equity prices (13 per cent at one stage) as measured by the FT-SE 100 Share Index threatens the new-found reputation of the Stock Exchange as a safe and rewarding place for millions of small investors to put their money. Share prices can indeed go down as well as up - and alarmingly quickly, too. Moreover the shakeout immediately places the £7.2bn BP issue in grave danger of failure, at least in so far as the underwriters may need to show their mettle.

The decline is proportionately the largest single day's drop in fifty years, far exceeding the 7 per cent or so recorded on March 1, 1974, when there were obviously post-election reasons for the alarm - though it can be argued that part of yesterday's collapse was attributable to last Friday when the problems were posed by external rather than internal storms.

It is a natural response to blame London's new market making system, still less than a year old, for the savagery of yesterday's markdowns. As in the previous (but much less serious) shakeout in July there were complaints yesterday that genuine investors found it hard to get through to the market makers and that the securities firms were absorbed in playing elaborate games with each other. The tumble was market-led rather than investor-led.

Exchange rate

After all, London's bull market appeared to have been reasonably well-founded. Profits and dividends have been rising strongly, there is no pressure on short interest rates, and valuations have looked supportable. But suddenly London share prices have collapsed in a morning by much more than the scale of the setback on Friday in New York which triggered off the reaction - though the final, early afternoon, phase of yesterday's FT-SE slump was a response to the further agonies of a Monday morning Wall Street.

There must be lessons here about the instability of the global institutional market place, which feeds on fears transmitted from one time zone to another, and which depends on too narrow a base of professional market makers and fund managers. This is no environment for soft landings.

But is there a real basis for the equity market's hysteria? It is not hard to draw an alarmist picture. Trouble has been gathering for months, as foreign central banks have poured huge support into maintaining the dollar exchange rate with little encouragement from the trend of US fiscal deficits and none from the trade returns, at least in terms of value. Crisis is nothing new this year to the bond markets, which have been faithfully reflecting the mounting concerns over the buoyancy of the money supply in most leading countries - largely a consequence of the support for the dollar - and the chance of renewed inflation. Yet the equity markets in the US, UK and Japan have up to now been able to detach themselves from the problems in bonds. Perhaps they have simply, and suddenly, now come down to earth.

Import demand

It could be that a critical mass of big investors has concluded that a major US recession is now becoming inevitable. The Louvre accord on currencies is visibly crumbling, the dollar is losing its support, and either the Americans accept that imports will cost them a good deal more in dollar terms in future or they will have to suffer the rigours of even higher interest rates. Either way, the economic consequencies of lower US import demand will be felt around the world.

The puzzle is whether such a realisation can or should have dawned so suddenly on Wall Street, and even more so on the London equity market, which only a week ago was trading contentedly within 4 per cent of its July peak. The message of the past few days may be that modern markets are too narrowly obsessed with predigested opinions. They have tremendous technological capacity for gathering global information, but the process of analysis turns out to be clumsy and even alarming. We still have to live with Black Mondays.

Unclear goals in the Gulf

YESTERDAY'S American bombardment of at least one disused Iranian oil platform in the Gulf marks the most serious US move so far in a dangerous chess game between Washington and Tehran. Although Mr Caspar Weinberger, the US Defence Secretary, said the Reagan Administration now regards the matter as closed, things are most unlikely to be seen in a similar light by Iran.

The attack was presented by Washington as a measured response to Iran's missile strike on a tanker flying the US flag in Kuwaiti territorial waters last Friday. But both incidents show that the two sides are deeply uncertain as to what they are now trying to achieve in the Gulf. That confusion raises the distinct risk of a wider escalation of the conflict, especially in view of the fierce criticism of Washington's latest action from the Soviet Union.

The Iranian Government is caught between conflicting currents. Domestically, it is under pressure to respond to two recent clashes with the substantial American naval force now patrolling the Gulf. Internationally, it is on the receiving end of an unprecedented diplomatic campaign to end the war with Iraq. It knows that its weakened armed forces cannot hope to triumph against US firepower in the event of a full-scale confrontation.

As a result, the Iranians have been probing the limits of the American military commitment in the Gulf whilst seeking to avoid the full force of American retaliation. This was certainly the implication of last Friday's attack, involving as it did a ship which was not technically under US naval protection.

Deeper muddle

The US Administration, for its part, is similarly torn. Since early summer, senior officials have been expressing eagerness to confront Iran, with which Washington has a large number of recent scores to settle. There have been suggestions that Washington would mount pre-emptive strikes on missile batteries the Iranians are believed to have installed on the Fao peninsula in the northern Gulf or close to the Strait of Hormuz.

But in practice, US actions have been limited in scope. Leading Congressmen have said they would support a "proportionate" response - such as a move to disable the missiles believed to have been responsible for Friday's attack and for previous strikes on Kuwaiti territory. Yesterday's onslaught on the oil platform did not go even as far as that.

These uncertainties mask a deeper muddle at the heart of US policy in the Gulf. Ever since the Administration embarked on its mission to protect Kuwaiti tankers and started building up its forces in the Gulf, Congress has been asking precisely why. At times, the President's men have restricted their rationale to the protection of Kuwaiti tankers; at others, they have spoken of the general need to preserve freedom of navigation; at others still, they have given the impression of a broader aim of containing Iran and reassuring Gulf Arab states. Sooner or later, Washington is going to have to spell out its objectives with greater clarity.

New commitment

In the short term, however, the obvious danger is that neither the US nor Iran will be able to contain the cycle of response and counter-response for much longer. Given that threat, the international community should already be considering how it is to prevent an all-out confrontation and what its real aims are in the Gulf.

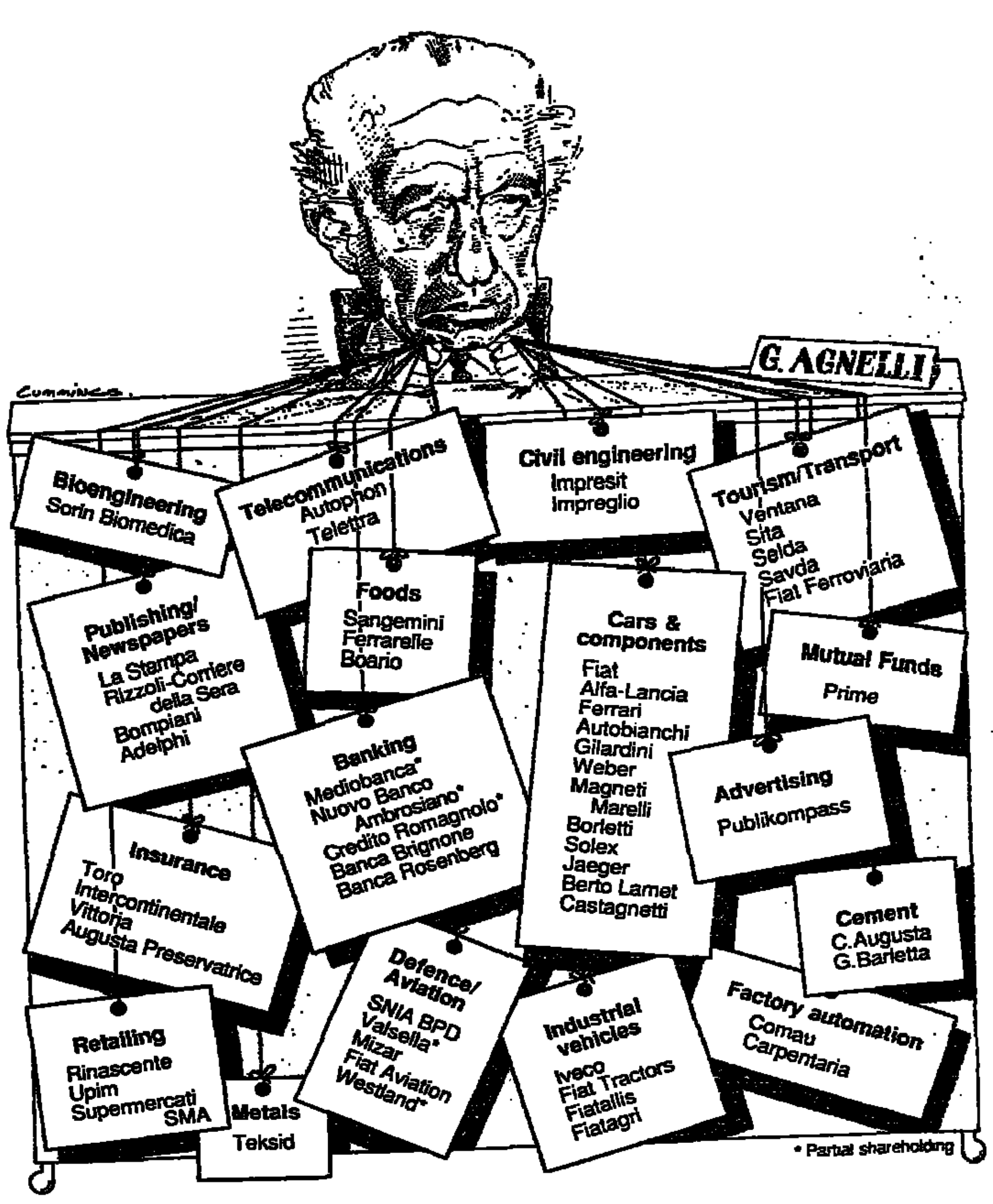
Above all, it is important to bear in mind the degree to which the major powers are in agreement on the need to end the Iran-Iraq war - a fact symbolised by the United Nations Security Council resolution calling for a ceasefire which was passed in July and which council members last week reaffirmed their determination to implement.

The unprecedented unanimity at the UN is worth preserving, especially given the Soviet Union's apparent new commitment to making the organisation work. Moscow has repeatedly warned that the American military build-up could jeopardise that unity and has proposed replacing the foreign fleets patrolling the Gulf with an international force under the UN flag.

Whatever the difficulties, the idea remains worthy of serious consideration. Now more than ever, America's allies should be reminding it of the dangers of going it alone.

Fiat dominates Italian industry. Suddenly, the politicians have started to worry.
Alan Friedman and John Wyles report

Challenging the empire



IS FIAT TOO POWERFUL? This question lies at the heart of recent tense exchanges between the giant Turin group and the Italian body politic which have at times resembled two sovereign states on the verge of severing diplomatic relations.

In the last few weeks, Mr Cesare Romiti, Fiat's managing director, has taken the battle to the politicians with his president, Mr Giovanni Agnelli, apparently observing, and only occasionally intervening, from a distant hilltop.

Mr Romiti has grumbled about increased value-added tax on motor cars and the contents of the Government's 1988 budget proposals, which he alleges are unhelpful to business. He has blackballed the appointment of the state's candidate to the managing directorship of Telit, the proposed joint venture between Fiat's Telettra and IRI's Italtel, on the grounds that Marisa Bellisario is a political choice, principally of the Socialist Party. He has complained of general interference by politicians in mundane business matters.

But the biggest headlines have gone to a remarkable, and apparently impromptu, speech given to young businessmen at a conference in Capri at the end of last month. Then Mr Romiti rolled up all his present discontents into one bitter reference to the reappearance in Italy of "anti-capitalist vomit" which he attributed both to the traditional Marxist left and to sections of the Catholic movement which regard profits "as a kind of sin."

The same speech contained a reference to the possibility of anti-trust legislation in Italy which many believe to be the key to understanding Fiat's offensive. Mr Romiti said the company would have no objection to legislation countering "monopoly situations" but that it would bitterly contest any "vengeful proposals."

The political world's almost universal complaint against the Romiti speech was of its "arrogance." An anti-trust debate which in any other country would be seen as a natural democratic concern "is immediately classified in Italy as an attack on the Agnelli group," wrote Mr Paolo Panerai, editor of Milano Finanza, a Milan financial weekly.

At the very least, it is obvious that Fiat is watching with concern the variety of initiatives now directed at producing an anti-trust law. It is also understandable that Fiat should feel itself to be a target since it is Italy's largest private sector company with interests ranging from motor vehicles to telecommunications, from newspapers to mutual trusts, from food to robots.

In particular, a consensus is beginning to emerge in favour of clearly limiting the holdings of industrial groups in banks and financial institutions to prevent their possible exploitation for private interest. Similarly, the extent of conglomerate control of newspapers and television also looks likely to be restrained.

Some sections of the Italian press have tried to present Fiat's confrontation with the politicians as a solitary feud with the Socialist Party, since the party's leader, Mr Bettino Craxi, has made no secret of his support for regulating big business. But the phenomenon is far broader. The policy programme loosely binding together the current five-party coalition led by the Christian Democrat, Mr Giovanni Goria, is committed to producing "rules on transparency and norms for curbing concentration."

While the Communist Party has made no secret of its belief that Fiat is the principal problem to be dealt with, politicians on the centre and right are much more circumspect.

"We are the only European Community country without any domestic competition legislation," says Mr Gianni De Michelis, leader of the Socialist group in the Italian lower house. "It would be unwise for us to approach 1992 (when the EC is due to dismantle all internal financial and trade barriers) without putting such laws into place."

Elsewhere an anti-trust debate would be a natural democratic concern. In Italy, it is seen as an attack on Fiat

His party colleague in the Senate, Mr Roberto Cassola - who, as chairman, has set the Senate's industry committee to work on the anti-trust question - offers more structural reasons for legislating now. "Until the 1980s we had a system of countervailing powers which made competition legislation unnecessary. The powers of private business were counterbalanced by the public sector and by a strong trade union movement. Now the public sector is being cut back through privatisation and union power is much reduced. At the same time, the private sector has grown and strengthened - but it is not just a Fiat problem."

Senator Cassola and others do not challenge Gianni Agnelli's recent assertion that Fiat needs to grow stronger, providing that the Fiat president was referring to the automotive sector. The group's leading 15.3 per cent share of the European car market is universally regarded as a position to be defended, particularly in view of the fact that the agreement limiting Japanese imports to 2,550 cars and 750 four-wheel drive vehicles a year may not be sustainable beyond 1992.

Nor is there any serious threat from the politicians to break up Fiat. "There is a great deal of misunderstanding about the phrase 'anti-monopoly'. It is either a cornucopia for some or the demon that Mr Romiti goes after with a pitch-fork," says Senator Guido Rossi, who is working on what is probably the most important independent anti-trust legislative initiative.

A distinguished former chairman of the Consob stockmarket authority who has also acted as a lawyer for Fiat for many years, Senator Rossi is still shrouding the details of his bill, but says it will not be all-embracing legislation.

"This is not the law to end all laws, but must be part of a mosaic, one of a series of laws we Italians implement to regulate rapidly evolving Italian industrial and financial markets," he explains. Other laws that must accompany this, he adds, are laws to regulate company accounting principles, and to protect bank depositors and stockmarket investors.

"This law must protect the consumer and if that means letting in Japanese car imports, even if it costs Fiat market share, then so be it," concludes Senator Rossi.

The Rossi law would set up an autonomous anti-trust authority, using as models the Bundeskartelamt in West Germany, the Monopolies and Mergers Commission in Britain or the anti-trust division of the Department of Justice in Washington. "It is not pure competition or market share that would be a guideline for my law, but the interests of the consumer," Mr Rossi says.

Neither this, nor other legislative initiatives which look likely, ought to strike fear into Fiat's heart. What the group appears to find difficult to accept as reasonable are the political anxieties about its horizontal spread. "Such is the breadth of the company that virtually every parliamentary committee is within its lobbying range. Most of us are more daily aware of Fiat than of any other company," said a member of parliament who prefered not to be named.

Fiat as an industrial conglomerate will this year have total turnover of around L37,000bn (£17bn). As the only Italian car maker the Fiat group has a 60.5 per cent share of the domestic car market (by virtue of Fiat Auto, Alfa-Lancia, Ferrari and Autobianchi). Fiat has 17.6 per cent of the components market and for most of Italy's component suppliers it is the only real client available.

Holdings controlled through IFI and IFIL, the Agnelli family companies, go even further. The Toro insurance group is the sixth biggest insurer with $1bn of premium income, the Rinascente department store chain has nearly $2bn of sales and 26 per cent of the retail market. Prime, the 50-50 mutual fund venture with Monte dei Paschi di Siena, is Italy's second biggest mutual fund with $6.4bn of savings. And as a result of a new venture with BSN of France it has 18 per cent of the mineral water market, 11 per cent of the beer market and 7 per cent of the pasta market.

In overall terms the industrial and financial holdings controlled directly and indirectly by the Agnelli family give Mr Agnelli sovereignty over an empire which has a market capitalisation of L41,456bn, equivalent to 22.8 per cent of the entire Italian stockmarket. This is a state of affairs unparallelled in any other Western industrialised nation.

And aside from this raw financial and market power there is the sticky question of the Agnelli group's control of newspapers. Aside from La Stampa, the Turin paper which is a 100 per cent Fiat subsidiary, the group also controls, indirectly through the Gemina investment company in Milan, the Rizzoli-Corriere della Sera publishing group, the country's biggest publisher.

The Rome parliament's watchdog on media affairs recently declared Fiat to be in violation of the law on the concentration of press power because La Stampa, Corriere and a sports paper give Fiat 23.9 per cent of the national daily newspaper market - against a legal limit of 20 per cent. As a result the Milan state prosecutor has been asked to challenge this ownership. Mr Giorgio Fattori, managing director of Rizzoli, says he would have done the same as the media watchdog, but argues that if the sports paper is excluded from calculations Fiat has less than 20 per cent of the market. Aside from the rather obvious way in which La Stampa trumpets good news from Fiat, analysing the practical consequences of its newspaper holdings is very difficult.

But many Italian journalists maintain in private that there is already much "self-censorship," not just at La Stampa and the Corriere della Sera but also at Il Sole 24 Ore, the leading business daily that is owned by Confindustria, the employers' association which looks to Mr Agnelli for symbolic leadership.

There is scarcely ever a hint of criticism of Fiat in these newspapers. This means, for example, that Italians had to turn to the independently minded La Repubblica a few months ago to learn of allegations that Prime, Fiat's partly owned mutual trust, was holding proportionately bigger blocks of the company's shares than other funds.

Fiat's media interests have become several times more politically controversial with the news that Rizzoli is to enter the television market with an option to acquire 50 per cent of the Monte Carlo-based Telemontecarlo, a minnow compared to the state RAI network or the private Berlusconi empire, but with rights to broadcast live news, which Mr Berlusconi does not yet have.

Another aspect of the Turin group's considerable impact on the media is its power as an advertiser. According to Prima Communicazione, a media trade magazine, Fiat is Italy's biggest spender on advertising. Last year the group spent an estimated L586bn on promotion, equivalent to 13 per cent of the national total. "That in itself is a potent tool," remarked the chairman of one major newspaper and publishing group who asked not to be named.

There is no suggestion from any politically significant quarter that Fiat is abusing its social and political power - which will remain a fact of Italian life regardless of any anti-trust law. It is also unlikely that the final legislation, when it emerges, will be passed against determined opposition from Turin.

The group plays too central a role in bolstering Italian national self-esteem and is too powerful an economic force for the politicians to want a full-blooded confrontation. On Tuesday last week, Gianni Agnelli fell and broke his femur. Where else in Europe would a businessman's domestic accident have been front-page news in nearly every newspaper?

Men and Matters

Post-marked Surrey

Sir Bryan Nicholson, who takes the top job at the Post Office this week, will not have far to walk if he wants to hear the consumer's voice.

It turns out that Tom Corrigan, chairman of the Post Office Users National Council, the statutory consumer body for the industry, is one of Nicholson's near neighbours in Surrey.

That could prove useful since mutterings about the corporation's quality of service have been getting louder, though they still have not reached the crescendo level experienced by British Telecom.

Nicholson, who has not had much to do with the Post Office before, has been searching hard for family connections with the giant industry he is to head.

He has had to go back to 1906, when his father, then a 13-year old lad, had a job as a Post Office messenger boy in Yorkshire until a chemical company poached him. Nicholson, who is moving over from chairmanship of the Manpower Services Commission, likes to think he is returning the favour.

Give voice

To anyone familiar with the hurly-burly of Chicago's futures pits, it is little wonder that traders end the day with rasping voices and hoarse whispers. Traders yell for a living and often the loudest are the most successful.

Any associated voice problems are regarded by most as an occupational hazard. Although a temporary voice loss can be expensive when your job involves bellowing out numbers for five hours at a stretch.

To help these "high-risk voice users" restore their raspy croak to a hearty bellow, Chicago's Schwab Rehabilitation centre has set up a voice treatment programme for traders.

After a thorough examination of ears, nose and throat, patients diagnosed as voice abusers are taught such techniques as breath control and "less stressful vocal cord vibration" to relieve strain on the voice. Severe voice abusers can develop polyps on their vocal chords, preventing them from closing properly.

"We try to get the traders before their voices are completely gone," explains Lisa Federahr, one of Schwab's speech pathologists, "and teach them how to preserve their voices, but more often they don't come to us until they are croaking."

Therapy does not come cheap at over $1,000 for a course of treatment, but I suppose it could be a lot more expensive to lose a trade by whispering in the futures pit.

Ahoy, Jim lad

If such terms were used in business Jim Davis, a director of Kleinwort Benson, and chairman of DFDS, who has now joined the board of TIP Europe, would be called a "wet".

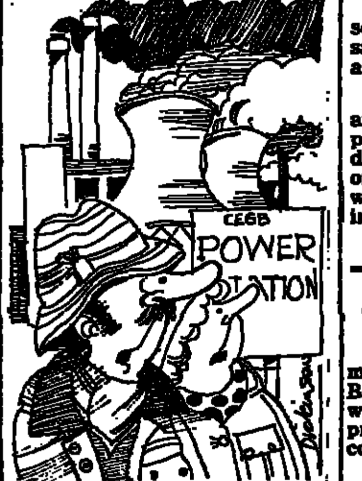
He is a director of British Ports Holdings, chairman of the International Maritime Industries Forum, chairman of the Marine Society, president of the National Waterways Transport association, and president of the Harwich lifeboat.

All of which explains why this salty gent is being welcomed by TIP Europe's chairman, Jim Cleary, for his range of experience, "as we approach flotation and beyond".

Little gem

Amsterdam diamond cutters, D.Drukker, have just cut a world record-breaking brilliant - but it is unlikely to cause a commotion among the stars of Beverly Hills. It has been accepted by the Guinness Book of Records as the smallest brilliant ever cut, measuring only 0.22mm in diameter and weighing just 0.0001022 carats.

Drukker says it polished the



"After last Thursday night, it would pay them to convert it to being wood-burning."

57 facets by using advanced techniques normally employed in producing diamond components for medical science, space research and micro-electronics. However, the company claims that its success in smashing the record - the previous smallest brilliant measured 0.53mm in diameter - was due in large part to its "exceptional craftmanship, the outcome of more than 80 years of experience with diamonds."

Hard ship

British merchant navy officers are none too keen to serve in the mined and missile-prone Gulf these days.

But Numast, their trade union, has given them a salutary reminder that there's always someone worse off.

The union reports the plight of the crew of a certain Panamanian-flagged ship, on permanent charter in the Gulf, who have complained of - no air conditioning; intermittent electricity; no medical supplies; irregular linen, food and water; kitchen equipment out of order; inert gas system not working; and non-payment of war zone bonuses.

And, as if that wasn't enough, some of the ship's cabins are said to have been destroyed by an Iraqi air attack.

Sri Lankans among the crew are reported to claim they even paid an agent $2,300 for the doubtful privilege of working on the vessel. They say they were assured it would be sailing in European waters.

Poor build-up

Teruo Kato, property finance manager for Nippon Credit Bank in London, had few good words to say at the weekend for property developers in his own country.

Not only were they skilled in such familiar tricks of international estate agency as exaggerating the convenience of a location - "15 minutes on foot" means that time for an Olympic gold medallist, not for you - Kato told the annual conference of the Royal Institution of Chartered Surveyors that some also sold non-existent property.

The Japanese property market, he added, had a "violent nature". Several lives had already been lost where thwarted developers had "sent round the boys" to sort things out.

Kato told his hosts: "I'm sure that Emperor Hirohito will not give his royal or imperial charter to the Japanese property community."

In touch

Overheard at school parents evening: "Now your other children are at college, I suppose you write to them quite often."

"Only by cheque," came the sad reply.

Observer

Letters to the Editor

The Japan problem and an apocalyptic view

From the Director General, Japan Trade Centre London.

Sir,- I have noted with great interest the recent articles and letter exchanges in your esteemed paper about the 'Japan problem', particularly the pros and cons of the contributors.

To air such viewpoints is far better than to neglect them. It allows free expression of feelings and permits open debate on a matter which affects us all.

It is not my intention to side with any of the contributors but, there is a point I should like all to consider.

Japan's current trade surplus is indeed very large and should be reduced as soon as practicable. It should be noted however, that the recent rapid growth of Japan's trade surplus was mainly brought about by short-term factors.

The dollar-based surplus figure reached $82.7bn in 1986, an increase of $36.6bn over 1985. Of the $36.6bn, $17.2bn reflected the temporary increase in the value of the dollar-based exports brought about by the declining exchange rate, despite the fact exports had not increased in volume owing to the rise in dollar-based export prices resulting from the appreciating yen. Another $16.5bn is attributed to the steep drop in oil prices from a 1985 average of $28 a barrel to $16 a barrel in 1986.

An example likens the situation to that of a growing boy who is 6' tall being told he is 8' tall because of a change in the division scale. He is certainly growing but not that rapidly.

Oil prices and exchange rates are both functions of the world economy as a whole and, are uncontrollable by Japanese businessmen engaged in the export and import trade.

Trade responds to market requirements and business exists on demand. It is not a game of chance. You can neither increase nor decrease your business as fast as the change of oil prices or the exchange rate.

Japan continues striving to reduce the surplus by expanding domestic demand, encouraging and assisting import promotion, increasing ODA (Official Development Aid) to the developing countries and so on.

In fact, only recently, Japan announced a so-called recycle pain, to provide finance of $20bn to the developing countries spread over the next three years. The funds will be completely untied and will be given through international financial institutions and other similar organisations.

These activities are finally influencing the situation. We are now seeing a sharp rise in imports of manufactured goods, a continuing decline in our export volume and a steep drop in the surplus as a natural result.

Shuji Ogawa,
Leconfield House, Curzon Street, W1.

From Mr G Bowring.

Sir,-Mr. George Soros' apocalyptic view (October 14) of the Japanese stockmarket is founded on the premise that the period of excessive liquidity is coming to an end. No-one disputes this, nor that the speculation it spawned and which led to the demise of Tateho Chemical will cease. The authorites, far from allowing financial speculation to continue unchecked have moced swiftly to deal with the problem, as Mr Soros himself acknowledges.

The collapse of the bond market may easily have been engineered by the authorities in order to force the losers in the "zaitech" game to reveal all. The rise in interest rates is proof of the recovery now happening in the Japanese economy: bank lending is being sought for capital investment plans both at home and abroad, indicating the confidence of industrial managers to produce consistent profits at exchange rates as high as 120 Yen/$.

Mr Soros' article completely ignores the recovery taking place in operating profits across the board in Japanese companies, as well as the rebuilding and restructuring of the domestic economy, which is every bit as significant as the Gorbachev "perestroika" experiment. The reason why Japanese companies are on apparently high P/Es is that the market is anticipating the significant improvement in the quality of operating profits in years to come. Japan has shown not only that it can cope with, but can also profit from a loss of competitiveness which would have crippled other economies. By contrast the USA has completely failed to capitalise on the opportunity offered by the change in the value of its currency.

Mr Soros ignores the well rehearsed argument concerning differences in Japanese accounting practices. By some measures, this would add up to 25 per cent to Japanese profits vis-a-vis thier American conterparts. And as for NTT, what would the multiple be on British Telecom if the renationalisation threat were removed for good? NTT faces no competition at home at all and in privatised from, now has the potential to produce financial performance every bit as good as Japan's major commercial enterprises.

Mr Soros' contention that private savings will slow down is unsupported. in any event, savings in Japan are running at an absolute level twice that of the USA, and life insurance companies continue to invest at most approximately 5 per cent of cash flow in equities, but have stated that the proportion is destined to rise.

G R Bowring,
Lawkland Hall,
Austwick,
via Lancaster.

Indonesia's transmigration

From Mr M Colchester.

Sir,- John Madeley's article (October 14) on the changes taking place in Indonesia's transmigration programme leaves a great deal unsaid, compounding the confusion that reigns about the future of this disastrous scheme to colonise Indonesia's outer isles with landless poor from over-crowded Java.

He correctly notes that the Indonesian government has announced substantial cuts in the numbers of transmigrants being moved; a fact which the World Bank has made much of to placate those who have criticised its involvement in the programme. The reality is however, that as many transmigrants are moving as ever. How so? Because the announced cuts in numbers refers only to so-called sponsored transmigrants (transmigran umum), migrants for whom the substantial costs of transport, housing, land clearance and agricultural extension are borne by the Government. Meanwhile to compensate for these cuts the Government is actively promoting the movement of so-called spontaneous transmigrants (transmigran swarkarsa), migrants who move at their own expense yet within the framework of the official programme.

Thus in the period 1986/1987 some 158,333 families were moved; 8,333 more than originally targetted. The Minister for Transmigration has announced that the 1987/1988 target has been raised to 180,000 families; Madeley gives a figure of just 10,000.

One of the main criticisms of the transmigration programme is that it is being carried out with scant regard for the peoples of the outer islands, whose lands are being expropriated by the Government in the name of national development. It remains Indonesian policy not to recognise the land rights of tribal peoples practising shifting cultivation or hunting and gathering. As transmigration continues so does the destruction of these peoples ways of life. The Minister for Transmigration makes the same point in a different way: 'the transmigration programme highlights social integration so that racial differences and differences between ethnic groups will no longer exist'

Responding to the international condemnation of the human rights abuses associated with the programme, the British Government's Foreign Affairs Committee has noted that 'insufficient attention may well be being paid, consistently, to...the rights both of the transmigrants and of the indigenous peoples at the receiving sites'. The committee concluded that 'the criticisms of the transmigration programme which have been brought to our attention justify the UK Government's policy of non-involvement'.

Why the British Government goes on supporting the programme through the World Bank and the UN agencies remains unexplained.

Marcus Colchester (Projects Director),
Survival International,
310 Edgware Road, W2.

EC merger policy

From Mr J Boyd QC.

Sir,-It is not often that your leaders fail to take a balanced view, even if they are sometimes a little bland.

Your leader on competition in Europe however (October 8) was, by your own standards, remarkable. It read in parts as if it were based on a hand-out from the UK and other Governments which are unable to agree a Community merger policy and yet resent the European Commission's intention, in the absence of such policy, to make more use of the limited powers which it already has.

You criticise the Commisions's procedures for being slow, inconsistent and subject to political pressure. It would be interesting to know which of the member states have competition procedures which avoid all of these things. Indeed in the UK the reference of a proposed merger to the Monopolies and Mergers Commission is usually seen as a kiss of death.

The reluctance of the Governments to give the Commission more powers is due not to the failings of the Commission, but rather to a lack of political will on the Governments' part. This results in mergers, many of which affect more than one country, being subject quite often to two or more differing systems of legal control. Such confusion hinders the restructuring of industry and is of little service to the consumer.

You remark that a Community merger policy may not be needed until after 1992 and that Commisssioner Sutherland (who is pressing for action by Governments after 14 years of inactivity on their part) is now "rushing his fences". Whatever else may be said about your leader writer, it is good that he does not lack a sense of humour!

John Boyd,
3 St Katherine's Road,
Henley on Thames, Oxon.

Unit trust prices row

From Mr P Edwards.

Sir,- A barrack room row is brewing (a few have already been heaved through your columns) between the old sweats of the unit trust industry and the newly-promoted and rather zealous Lance Corporal SIB. This jumped-up brainbox is actually questioning some hallowed regimental customs and the troops don't like it. They're wrong, as it happens, on several points, but absolutely right on the main one - a bizarre proposal that unit trusts should be dealt with in blind, without a price being quoted and agreed as between the two parties.

Readers can readily see why we find this prospect hilarious. Taking just last month, on behalf of some of our clients we made 1652 deals with 41 different unit trust management companies. We placed £3.3m into various unit trusts in 917 separate purchases, the cash in the main being raised by 735 separate but linked sales.

We hope our random but real figures typically illustrate our point, and which other brokers' figures would equally support: that as everyone bar the SIB knows, these days the vast majority of unit trust sales are put through by investors to fund new unit trust purchases.

We must therefore ask SIB to consider very fully how its "forward-pricing" proposal effects this question of "pairs" of deals. We suspect it has not been accorded the importance it deserves - certainly, we have seen no consideration given to it in any comment to date. Yet, in our experience, some eight out of ten purchases are linked to a parallel sale.

If it is so important that the price at which an investor goes in or out of a fund on say a Tuesday should reflect the freshest practical prices of the underlying shares on Tuesday, and not late on Monday, then fund managers should be required to set new prices by a Tuesday lunchtime valuation. That new price would then be quotable by the dealers over the telephone, and they would deal on it for the rest of that trading day. That price then goes overnight into the next day's FT, and investors can continue to deal on it up to the lunchtime valuation. And so on.

That is, there would be two sets of prices each day, either side of a dead period or "half-time" in the middle of the day when managers revalue.

This proposal is neither forward or backward pricing. It's half and half. No-one will really like it, but it will work, and it will be marginally "fairer" then the present drill. We urge SIB to acknowledge that new customs need to be firmly based on practicalities, ie, they must do the job without creating more problems than they solve. Or the troops (and their camp followers) will not respect them.

Peter Edwards,
Premier Unit Trust Brokers,
54 Baldwin Street, Bristol.

Cake potentially greater

From Dr A Drobny and Mr G Hatjoullis.

Sir,- We fear that Professor Buiter and Mr Bean (Bake a Bigger cake, (October 15) may have understated their argument that the UK economy is not in danger of overheating, by repeating the popular fallacy that"...the growth in demand has been uncomfortably weighted towards consumption rather than investment". Investment expenditure has grown at an annual average rate of 4.2 per cent since 1983 compared to consumption growth of 3.9 per cent. More important manufacturing investment has grown at a rate of 6.9 per cent.

It is certainly true that investment growth was very sluggish in 1986 but this can, at least in part, be explained by recent changes in the tax treatment of investment expenditure. Moreover, total investment expenditure in the first half of this year has been growing at a rate of 4.6 per cent while the DTI informs us that investment in manufacturing in 1987 is expected to grow by 6 per cent. If one allows that the quality, and thus productivity, of a new capital is likely to be considerably greater than the stock it replaces, there seems to be good reason to believe that the potential "cake" is indeed greater than it is widely recognised!

Dr A Drobny,
G Hatjoullis,
Bankers Trust Co.,
69 Old Broad Street, EC2.

Objectives for the DTI

From the Director, Society of British Gas Industries.

Sir, - Members of this society applaud Lord Young's new set of objectives for the Department of Trade and Industry, but find some of them hard to reconcile.

Manufacturers of gas appliances particularly welcome his talk of a fair level of protection for the consumer, and all manufacturers have actively supported the need for improvements in quality. His aim for a reduction of restrictive practices is also one to which we all subscribe.

These aims, however, must not be to the detriment of the consumer, or indeed of manufacturers, and we must ask, for example, whether he will continue to allow the import of gas appliances without evidence of conformity with British Standards.

Lord Young should also say what action he proposes to take to encourage major purchasers to accept third party quality assessment certification to BS 5750 and so avoid the scourge of multiple assessment with which the industry is still plagued.

The gas industry will be watching to see whether his fine words are matched by speedy legislative action.

Bill Sinden,
36 Holly Walk,
Leamington Spa, Warks.

Consultation and education

From Councillor J Hegarty.

Sir,- Lady Porter's claim (October 10) that the City of Westminster intends to consult widely about the council's plans to take on resonsibility for education is deliberately misleading. She has made it clear in other forum that she will consult noone about the principle of Westminster running education. Consultation will be limited to certain details of the proposal to be put to the Secretary of State.

My point is that parents and students have a right to a say in this matter. This could be achieved either through a proper consultation procedure laid down in the forthcoming Education Bill, or better still by awaiting the results of the 1990 borough council and ILEA elections.

(Councillor) Joe Hegarty,
Westminster City Hall,
Victoria Street, SW1.

Commission' plans for new levies in sugar

From the Director for Corporate Affairs, British Sugar

Sir, - In your issue of October 14, you report on the Commission's plans to introduce new levies in the sugar regime and comment that "The Germans and French, as the biggest producers, would pay the lion's share of the new levies, while Britain, as a deficit country, would get away relatively lightly."

I am astonished that you can come to such a conclusion when in fact the reverse is true. The major surplus producers - Denmark, Belgium, France, The Netherlands and Germany - will be paying a 47 per cent increase in levies, while the UK, Ireland, Italy, Greece, Spain and Portugal, none of whom produce a single tonne of surplus sugar, will be paying, on average, an extra 60 per cent. In effect, the Community's deficit producers will be paying swingeing levies in order that the surplus producers can continue to produce their surpluses safe in the knowledge that, not only will their bills be met, but also that no-one will be asking them to reduce their surpluses.

These proposals for the sugar sector do not represent one of the agricultural "stabilisers", of which the Commission now seems so proud, because the essential link between Budget cost and production level' is simply not there. As a result there is no requirement to reduce surplus production. And why? Because producers, and not Governments, are footing the bill. If Governments had to pay up, you can be sure that steps would be taken to reduce surpluses, however "tough" the Commission's line seems at present on the national scene.

To put this into perspective, the UK sugar industry's levy bill this year alone will rise from £20m to £31m - an increase of 50 per cent. This sum represents a direct transfer from our sugar industry to the industries of the surplus-producing countries, not a transfer from the UK exchequer into Community funds. So we have £11m less to develop our business and to maintain jobs in the UK, while someone else has £11m more.

This is crazy. What is required is a return to the general principle that those who produce surpluses should pay for them. A principle which used to apply in the sugar regime, but unfortunately does not any longer.

Simon Harris,
PO Box 26,
Oundle Road,
Peterborough,
Northants

FOREIGN AFFAIRS

The Soviets come in from the cold

Moscow is playing a positive role at the UN for the first time since its creation. Edward Mortimer reports

FOR THE first time since 1945, it is beginning to look as if there is a real chance that the United Nations might be used as its founders intended: as a framework in which the great powers, working together and with the advice and consent of the wider international community, can take action to preserve world peace.

That did not happen after 1945, mainly because of the attitude of the Soviet Union.

During the war, Joseph Stalin, the Soviet leader, had rather reluctantly allowed himself to be coaxed by US President Franklin D. Roosevelt into joining in the creation of the UN. He knew perfectly well that the majority of states in the post-war world would be capitalist, and he had no intention of putting the Soviet Union in a position where it might be coerced by majority vote.

Sure enough, he soon found his behaviour on a wide range of issues condemned by the majority. Andrei Gromyko, as the Soviet delegate to the UN in those early days, acquired the sobriquet of Monsieur Nyet because of his frequent use of the veto.

Sir Brian Urquhart, in his autobiography published this week, recalls that even in 1945 the Russians "were particularly reserved about the Military Staff Committee which many regarded as a key to the future effectiveness of the UN in keeping the peace, and appeared very negative on the idea of collective action which was the essence of the Charter concept of maintaining international peace and security."

The Military Staff Committee, composed of representatives of the chiefs of staff of the five permanent members of the UN Security Council, never managed to agree on the type and quota of forces to be made available by the great powers for enforcing the council's decisions, and was soon reduced to a purely ritual fortnightly meeting.

From that day to this, every use of the UN flag or UN machinery "on the ground", rather than for purely diplomatic or declaratory purposes, has been achieved either by a circumvention of the Soviet veto or, at best, with grudging Soviet neutrality.

The West was able to fight the Korean War as "the United Nations" only because Moscow was boycotting the Security Council at the time, in protest at the exclusion of Communist China. Not surprisingly, this type of "enforcement" has proved impossible to repeat.

Instead, the UN Secretariat has gradually improvised the new art of peace-keeping, in which a token UN force is interposed between the parties to a conflict, with the consent of both, to make it more difficult for them to start fighting again.

It was the General Assembly which requested the Secretary-General to set up the first UN peace-keeping force, in Sinai in 1956 - a procedure expressly designed to circumvent the veto and never accepted as legitimate by Moscow. Subsequent UN peace-keeping operations - in the Congo in 1960, Cyprus in 1964, Sinai again in 1973, the Golan Heights in 1974 and Lebanon in 1978 - were all authorised by the Security Council, but the Soviet Union never liked them and never contributed to their costs.

But now things have begun to change. First the Russians took to voting for, instead of abstaining on, the renewal of specific UN forces which they or their friends in the Third World found useful - such as UNFICYP in Cyprus and UNDOF in the Golan Heights. Then, in April 1986, they announced that they would not only vote for the maintenance of UNIFIL in South Lebanon but would start paying their share of its cost, though at that stage without accepting any responsibility for the arrears.

This year things have gone faster. The Soviet Union responded positively to suggestions from the Secretary-General, and from Britain and the US, that the five permanent members should work together to find ways of ending the Iran-Iraq war. The result was Resolution 598 of the Security Council, passed unanimously on July 20, and the subsequent consultations which led last week to new guidelines being given to the Secretary-General.

It is true that the Russians are not yet ready to proceed to a second resolution imposing an arms embargo on Iran, as the Western powers would like. But they do repeatedly stress the importance of the Five continuing to work together.

Meanwhile, on September 17, Mr Gorbachev came out with his article calling for a revival of the UN and offering some practical suggestions for making it more effective, including notably "wider use" of UN peace-keeping forces.

Then Mr Shevardnadze, in his speech to the General Assembly, suggested that the safety of shipping in the Gulf should be ensured by "the entire world community, on whose behalf the United Nations will be acting", apparently through some kind of peace-keeping operation: a proposal he further elaborated at the lunch given by the Secretary-General to the foreign ministers of the Five on September 25 (in itself a sign of a strikingly improved atmosphere at the UN).

Last week Mr Shevardnadze's deputy, Vladimir Petrovsky, said in a Radio 4 broadcast that "a lot of unused opportunities exist within the United Nations Charter", and that "probably the time has come" to try to make use of the Military Staff Committee. The next day he announced at a press conference that the Soviet Union had paid off its arrears in regular UN contributions and was ready "to pay its assessments for all peace-keeping forces without exceptions".

One needs to be careful about all this, of course. There is considerable confusion about the precise figure of arrears and about which operations the Russians are actually offering to pay for. Earlier this year they rejected a Secretariat suggestion that part of the cost of UNFICYP should be covered by assessed instead of voluntary contributions, and Mr Petrovsky's use of the word "assessments" suggests that UNFICYP may still be excluded.

Likewise neither Mr Shevardnadze's remarks about the Gulf nor Mr Petrovsky's desire to revive the Military Staff Committee necessarily mean that they are converts to the idea of enforcement. Mr Shevardnadze was apparently suggesting a peace-keeping force to monitor a putative cease-fire, rather than a UN takeover of the present convoying operations; and it is a long-standing Soviet gripe that the Secretary-General exceeds his powers by running peace-keeping operations, since the only military forces mentioned in the Charter come within the purview of the Military Staff Committee.

It could be that reviving that Committee would simply provide a mechanism for Soviet interference in the administration and command of peace-keeping forces, rather than herald any new collective will of the Security Council to act forcefully in defence of peace.

Yet even with those reservations, there is clearly a new and more positive Soviet attitude to the UN in general and to peace-keeping in particular; and Moscow is putting at least some of its money where its mouth is. Unfortunately, though perhaps not coincidentally, it is doing so at a time when Congress is refusing to bring the US contributions up to date - thereby sabotaging a reform package carefully negotiated with Third World delegates in New York - and refusing even the small part-payment which the Administration had proposed to make towards the US assessment for UNIFIL.

It will be tragic if the US turns out to have lost all interest in the UN just when the new Soviet attitude offers hope that it could at last become really useful. America was rightly unwilling to leave Moscow a monopoly of the protection of Kuwaiti tankers. Surely it should accept the belated Soviet request to share in the leadership of the world organisation, rather than allow Mr Gorbachev to assume that leadership by default.

FINANCIAL TIMES

Tuesday October 20 1987

Martens resigns in wake of language row

BY WILLIAM DAWKINS IN BRUSSELS

BELGIUM'S centre-right coalition Government finally fell yesterday morning when King Baudouin accepted the resignation of Mr Wilfried Martens, the Prime Minister.

King Baudouin immediately asked Mr Martens to form a caretaker government to prepare the outlines for wide-ranging constitutional reforms and to carry on routine business before calling elections, expected either in mid-December or mid-January.

Mr Martens, leader of the Flemish Christian Democrat party (CVP), offered his resignation last week in the wake of a long political row over a French-speaking mayor who refuses to prove knowledge of the official Flemish language of his village. But King Baudouin put off accepting until he had time to consult political leaders on both sides of the French-Flemish divide.

The former Belgian Premier started talks with his old coalition partners yesterday in an attempt to form an interim government within the next few days. He is aiming to model the new administration on the former four-party Government of CVP, Flemish Liberals (PVV), French Social Christians (PSC) and the French Liberal Reform Party (PRL), though there were doubts yesterday over the PSC's willingess to take part.

By asking the caretaker government to draw up comprehensive legal reforms, King Baudouin has offered the Belgian Parliament the chance to tackle the whole range of political and cultural tensions of which the present linguistic dispute is the most dramatic symptom. The village row that brought down this Government concerns Mr Jose Happart, the French-speaking mayor of Les Fourons, or Voeren as his Dutch-speaking opponents would like him to call it, is only one of the galaxy of issues the new government will have to tackle.

Another is a proposal supported by all coalition parties except the PSC to transfer responsibility from national to regional authorities. The PSC fears that this could isolate its Catholic supporters in the south of the country, where the party's Socialist opponents hold the majority in regional government. The process will also be an opportunity to reopen stalled discussions on a compromise proposal that would have led to a slight relaxation of the language rules as well as the dismissal of Mr Happart.

The caretaker administration's powers will be limited to earmarking which articles of the constitution should be opened for debate in what will be Belgium's fifth constitutional reform package this century. Once outline reforms have been prepared, Belgian law lays down that they can only be voted through parliament after a general election.

Moreover, the package will need a two-thirds majority in the 212-seat parliament, rather than a simple majority for routine legislation, a requirement which could either help to create political consensus or lead to another deadlock.

Ian Rodger in Tokyo assesses the career and future prospects of Mr Noboru Takeshita

Japan's man for all moments

EVEN close associates of Mr Noboru Takeshita, chosen last night to be Japan's next Prime Minister, acknowledge that he does not know much about economics or foreign affairs. But, they argue, he is the ultimate grassroots politician, in touch with the mood of the people and with currents within the ruling Liberal Demoratic Party.

They say he is the man for the moment: the man who can convince the Japanese that they must change their ways and behave more in harmony with the international community.

While Mr Yasuhiro Nakasone, the present prime minister, has excelled at developing new policy directions for the party, they claim that Mr Takeshita can convert plans to action.

Mr Takeshita has certainly long been known best for his skills in the back rooms of Japanese politics, ironing out tensions and building consensus, whether within the party or his faction or any of the many cabinets in which he has served.

The guiding theme of his political platform is "furosato" - home village - the basis for his emphasis on local support and consensus. He describes himself as the type of leader that likes to coordinate, and bring about a steady buildup. Now he claims he can achieve this on the international stage as well.

Mr Takeshita was born in 1924, the eldest son of a sake brewing family in western Japan. His studies at the School of Commerce at Tokyo's Waseda University were interrupted during the war when he trained pilots. But he completed them in 1947, returning to his home town where he taught English in the high school.

Noboru Takeshita: waited patiently for the call to office

Following in his father's footsteps he soon became active in local politics and was elected to the Shimane prefectural assembly in 1951. He won his first election to the national Diet (parliament) seven years later and has been there ever since.

He entered Cabinet in 1971 as chief cabinet secretary under prime minister Eisaku Sato, and participated in the negotiations leading to the return of Okinawa from the US. In a subsequent Cabinet he was construction minister before serving as finance minister in a succession of cabinets from 1979 until last year when he became LDP secretary-general.

During his tenure as finance minister, he had various high level international roles - he chaired the board of governors of the IMF in 1984 and the Group of Ten in 1985 - but apparently made little impression on other leaders.

Like many Japanese political leaders, Mr Takeshita has some close family links with other politicians. His eldest daughter married the eldest son of Mr Shin Kanemaru, deputy prime minister and mentor.

Mr Takeshita looked for a long time like the man who would inevitably become prime minister by patiently waiting for his turn. But an upheaval in the 1970s in the faction of which he was a leading member nearly dashed his hopes.

The former leader of the faction, Mr Kakuei Tanaka, resigned in disgrace as prime minister in 1974 following some questionable real estate deals. Mr Tanaka maintained his grip on the faction, however, which was the largest of those making up the LDP. Mr Takeshita was urged to break away and set up his own faction on the grounds that the Tanaka faction would never get the prime minister's office again until it was separated from Tanaka.

Typically, Mr Takeshita remained loyal, hoping that Mr Tanaka would soon pass the mantle onto him. However, Mr Tanaka refused to give way and Mr Takeshita finally took a gingerly step towards breaking away in 1985, setting up his own "study group" within the faction. This merely enraged Mr Tanaka and, according to some, led to his suffering a debilitating stroke.

Mr Takeshita still remained loyal, enduring occasional insults from Mr Tanaka. Last January, for example, the Tanaka family refused to receive him when he came to their home to pay his respects.

However, the pressure to break away was becoming unstopable, as Tanaka faction members, who had not had a leader in power since 1974, were becoming increasingly impatient. In July he finally broke away and surprised most observers by taking 113 of the 141 Tanaka faction members with him.

Mr Takeshita is not known for activities outside politics. He practised judo as a child, and now plays a couple of rounds of golf every month. He claims to like Samurai films, Japanese paintings, Enka ballads, Japanese-style meals and sake.

In a recent interview, his wife, Naoko, was asked for her comment on her husband: "He does not require too much attention. He is pleasant and a lot of fun at home, though he has dignity as well."

Indians go into Jaffna despite stiff opposition by Tigers

By Mervyn De Silva in Colombo

INDIAN TROOPS advanced slowly into the centre of the Sri Lankan city of Jaffna last night, meeting stiff resistance from the Liberation Tigers of Tamil Eelam (LTTE), according to an Indian spokesman.

The Tigers, who are outnumbered three to one by the encircling Indian troops, are reported in the island's capital, Colombo, to have sent a letter to the Sri Lankan Government calling for an unconditional ceasefire.

"It is the same letter that the Indians received earlier and our response is the same as that of the Indian Government," an official of the Sri Lankan National Security Ministry said. Mr Rajiv Gandhi, the Indian Prime Minister, has publicly stated that the Tamils must unconditionally lay down their arms.

"Mopping up operations are now on," an Indian spokesman at the Indian External Affairs Ministry was quoted as saying. He claimed that Jaffna's town hall, the main telegraph station and bus terminus had been captured by Indian forces.

Meanwhile, in eastern Sri Lanka, at least 40 Tamil refugees were killed when guerrillas accidentally exploded a landmine under a bus

In Jaffna, where some 2,500 Tamil Tigers have been holding out for 10 days against an Indian force now estimated to be 8,000 strong, conditions are said to be dire.

Government officials in Jaffna have attempted to contact President Jayawardene to inform him ofthe situation.

There is an acute shortage of food, water and fuel in the town, which has a peace time population of 130,000. There has been no electricity since the October 11. There are more than 50,000 refugees in the university campus and two school buildings, and drainage services are no longer working. An epidemic is feared as the hospital cannot cope with the sick and wounded.

The signatories to the appeal have called for the President's immediate intervention.

The Indian Government announced that a relief ship will arrive in Kankesanturai, Sri Lanka's most northern port, with food and medical supplies. A 32-member team of Indian Red Cross officials will supervise the distribution of food, fuel, medicine and other essentials.

THE LEX COLUMN

A question of confidence

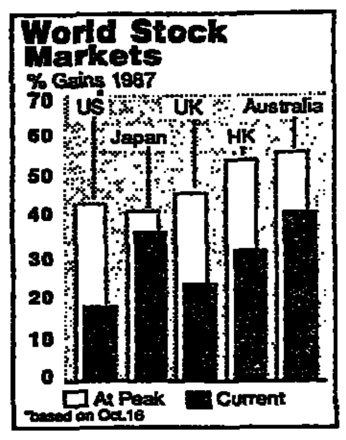
The market's natural instinct yesterday was to conceal its shock by claiming the whole collapse had been predictable. But in truth, for London it came from an almost clear sky. Rising US and German interest rates were not supposed to affect UK equities, since Mr Lawson had cleverly anticipated all that back in August. And though markets have been known to over-react when a bear trend has been established, who could conceive of a ruinous 11 per cent plunge in a market perched near its all-time high?

The sheer extent to which records were broken brought out a rash of explanations, not all of them good. The two obvious differences between now and 1974 are the new dealing system and the rash of derivative instruments such as index futures. Both will have played a part, but new dealing systems had nothing to do with the astonishing collapse on Wall Street. At least as important was the bizarre circumstance of London being out of action on Friday, when the rot really set in, producing a whiplash effect yesterday morning - proof if it were needed that suspending trading in these conditions would do more harm than good.

Monetary policy

The scale apart, yesterday came as less of a shock to bond traders. Yields in all the world's bond markets have risen sharply since the summer as concern over inflation and consequent rises in interest rates had increased. Indeed the widening yield gap had suggested for a while, to those who still looked at it, that shares were overvalued.

It took two events to bring home to equities that bonds had been worrying about something serious - the small rise in West German interest rates two weeks ago and last week's poor US trade figures. The two together suggest that just when the dollar faces another bout of downward pressure, the Bundesbank will be unwilling to intervene in its support because of domestic monetary considerations. Hence the repeated attacks on German policy by US Treasury Secretary Baker which knocked the dollar yesterday. Despite remarks by the German finance minister that the Louvre accord would continue, the previous confidence that G7 could keep handle the dollar's decline without unleashing inflation or putting up interest rates has shattered.



The main concern now is how the US handles its monetary policy and currency while battling to reduce the trade and budget deficits. The US must find buyers for $28bn of Treasury bonds when the refunding comes next month, and as debtor nations have frequently found, it is the creditors who set the terms. US Treasury yields are already discounting a further rise in discount rate. Too small an increase would raise concern that Mr Greenspan, who is still a new boy at the Federal Reserve, is insufficiently tough. Too large a rise might threaten the US economy, in election year too, with knock-on effects on other countries' economies.

Global equities

With the benefit of hindsight, it is easy to argue that by the early Autumn most of the world's major stock markets were more than fully valued by historical standards and were waiting for an excuse to fall. The Tokyo stockmarket peaked only last week, having risen by over 40 per cent since the start of the year, and other markets ranging from Hong Kong and Australia to Spain, Sweden and Switzerland have all reached new highs within the last three weeks. By the beginning of October, Goldman Sachs had estimated that even if the heady Japanese stock market valuations were excluded, the world stock markets were selling on a multiple of 16.2 times prospective earnings, or nearly a third above the average multiple between 1982 and 1984.

Some sort of correction looked overdue, particularly in the US where even after the latest savage corrections, the earnings multiple on the S & P 500 remains high by historical standards. The dramatic rise of Wall Street has been fuelled by two rather unstable elements. Since 1984 close to $300bn of equity has been taken out of the market by corporate takeovers, share buybacks and leveraged buyouts, with the result that the supply of equities has been shrinking at an annual rate of around 3 per cent. At the same time foreign investors, led by the Japanese, have been piling into US equities. Traditionally, net foreign investment in US equities has never topped the $5bn mark. However, last year, over $18bn net flowed into the market and in the first half of the current year foreign investment in US equities has been running at an annual rate of close to $40bn. Remove these two props and it is far more difficult to make out a continued bullish case for Wall Street.

The real question is how far the rest of the world has cause to worry about this, or for that matter about the fact that Tokyo - roughly the same size as Wall Street - has not yet shown serious signs of cracking at all. By any standard, Japan is surely overvalued. If the plunge in world equities has been triggered by bonds, how long can Japan hold out against the recent doubling in domestic bond yields?

Finding a floor

What has upset markets as much as anything else is the fact that markets have shown themselves capable of this kind of unthinkable one-day movement. Many fund managers simply refused to deal yesterday, on the grounds that objective decisions are in these conditions impossible. In rational terms, the threat outside the US consists of the potentially deadly combination of a falling dollar, rising world interest rates and a US recession. Compared with just a month ago, everything suddenly looks much more fragile.

In falling markets, the trick is to find the least bad performer. Almost by elimination, this points to Europe, and a strong candidate could be the UK. Barring disastrous official statistics this week, there is no domestic justification for a rise in interest rates. The corporate sector, too, is financially much more robust in the UK than the US. But even in London, it would take a brave investor to start buying today.

No EC agreement on reform package

BY QUENTIN PEEL IN LUXEMBOURG

EC MEMBER states were yesterday drifting apart in their efforts to reach agreement on a radical overhaul of their future finances, making it even less likely that they will reach any deal by the current deadline of their December summit meeting in Copenhagen.

Discussions were launched yesterday by foreign and agriculture ministers on key elements in the reform package, without any sign of compromise between hard-line budget disciplinarians - like the UK - and other member states.

Sir Geoffrey Howe, the British Foreign Secretary, was said to be "dismayed" by the failure of other foreign ministers to recognise the need to agree on detailed figures to stabilise the soaring costs of the Common Agricultural Policy.

He quoted the conclusions of the Brussels EC summit in June - agreed by all the member states except the UK - committing them to a total package of measures by the Copenhagen summit.

The British position remains absolute insistence on clear and effective "stabilisers" being imposed on every commodity sector in agriculture, before the UK will agree to any increase in national contributions to the EC budget in 1988.

Other member states, and the European Commission, seem to be prepared to accept a vaguer "political agreement" on budget discipline in order to get some package deal by the December summit.

Sir Geoffrey yesterday criticised a Commission plan to include a "monetary reserve" in any attempt to cap farm spending, to guard against future falls in the value of the dollar, requiring greatly increased farm export subsidies.

Mr Jacques Delors, the Commission President, said his proposals would allow for both efficiency and flexibility.

The British position remains the most hard line, but it does appear to have shifted on one key aspect - switching from the present system of national contributions based on value added tax, to one linked to gross national product.

The Commission has proposed a combined system - part VAT-based and part GNP-based. British officials now suggest that they would like to see a complete switch to the GNP system because it would tie contributions more directly to national prosperity.

Italy is fiercely opposed to any such suggestion and it would also hit member states such as West Germany, the largest net contributor), Denmark and the Netherlands. France, however, like the UK, would benefit and become a smaller net contributor if the GNP system were introduced.

Record falls on Wall Street

Continued from Page 1

left the market on Friday in moderately buoyant spirits expecting a mechanical bounce-back, took a much gloomier view.

So overwhelming was the imbalance of sell orders that the NYSE's specialist floor traders were unable to make prices in most of the key institutional stocks.

Taking their cue from tumbling prices in Tokyo and London and from the Dow's 9.5 per cent collapse in the week to last Friday, both institutional and individual investors seemed to be willing to unload their whole portfolios as the market opened - only to find themselves completely to unable to sell such "liquid" stocks as IBM and General Motors as buyers simply vanished from the market. Nearly an hour after the market's official opening, two-thirds of the constituents in the 30-share average had still not traded, while the index continued to fall relentlessly on the few companies which were changing hands

By 10.30, when IBM and other blue-chip stocks finally opened, the Dow had fallen 210 points, or 9 1/2 per cent, from its close last Friday. The bond market too was pummelled by the universal selling-pressure. It opened nearly two points down, reflecting weakness of the dollar and weekend reports that Mr James Baker, the US Treasury Secretary, was ready to abandon currency stabilisation. In a vain attempt to calm the situation, the Federal Reserve Board stepped in with massive money market intervention in mid-morning.

The effects were short-lived. The bond market recovered briefly to a one point loss and the Dow cut its losses to around 130. Within an hour of the Fed's intervention the Dow's losses were once again over the 200-point mark and October 19 1987 was set to go down in history as the worst day in the history of the New York Stock Exchange

Lying behind the plunge on Wall Street, and affecting the outlook on other equity and bond markets, are concerns about inflation, the dollar, persistent global trade imbalances and rising interest rates.

The worry centres on the US where the dollar's near 40 per cent fall over the last two years appears to have made only modest inroads into the huge US trade deficit. The fear is that the deficit will lead to a falling dollar.

Heavy selling on European bourses

Continued from Page 1

In Frankfurt, shares fell by 7 per cent. The Commerzbank's index dropped 132.5 points from Friday's close, the largest daily points fall ever.

The Paris share price index fell by 9.7 per cent, the worst one-day fall since 1981, when the election of a socialist president wiped 14 per cent off share values.

In Amsterdam, the CBS all-share index fell 13 per cent to its lowest level since the index began in 1985, and in Oslo, the all-share index of Norwegian equities dropped 32.75 points for the biggest daily points fall on record.

The Japanese equity market fared better, displaying something of a sense of independence from Wall Street's problems based on fundamental confidence about the domestic economy and the fact that the Japanese market had already retrenched heavily earlier this year.

The Nikkei lost 620.18 points, the sixth largest drop ever in absolute terms but only a 2.4 per cent drop in percentage terms.

World bond markets did not escape losses as US Treasury bond yields soared. The yield on the benchmark 30-year Treasury bond surged to 10.4 per cent yesterday, pushing UK Government bond prices down by nearly three points and West German domestic bonds 1½ points lower.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	28	82	Malta	S	24	75	Rhodes	S	23	73
Algiers	S	28	82	Edinburgh	R	10	50	Manchester	C	14	57	Rio de J'o	C	26	79
Amsterdam	S	14	57	Faro	R	18	64	Manila	C	32	90	Rome	S	24	75
Athens	F	21	70	Florence	-	-	-	Melbourne	F	17	63	Salzburg	S	15	59
Bahrain	S	33	91	Frankfurt	S	15	59	Mexico City	S	25	77	San Francisco	C	20	68
Bangkok	S	34	93	Funchal	F	22	72	Miami	S	28	83	Seoul	F	13	55
Barcelona	F	28	88	Geneva	F	11	52	Milan	S	18	64	Singapore	F	33	91
Beirut	S	-	-	Gibraltar	C	20	68	Montreal	R	13	55	Stockholm	F	11	52
Belfast	F	12	54	Glasgow	C	11	52	Moscow	C	0	32	Strasbourg	S	10	50
Belgrade	C	16	61	Guernsey	F	14	57	Munich	S	13	55	Sydney	C	20	68
Berlin	C	8	46	Helsinki	S	9	48	Nairobi	F	28	82	Taipei	S	29	84
Biarritz	F	21	70	H. Kong	F	27	81	Naples	S	22	72	Tangier	F	21	70
Bombay	F	32	90	Innsbruck	S	15	59	Nassau	S	29	84	Tel Aviv	F	25	77
Bordeaux	S	18	64	Inverness	F	11	52	New Delhi	F	27	81	Tenerife	F	25	77
Brussels	S	15	59	Islamabad	C	29	84	New York	S	16	61	Tokyo	S	27	81
Budapest	C	15	59	Istanbul	F	19	66	Nice	S	21	70	Toronto	R	17	63
B. Aires	S	19	66	Jakarta	C	30	86	Nicosia	S	27	81	Tunis	S	25	77
Cairo	S	25	77	Jersey	F	15	59	Oporto	C	13	55	Valencia	C	25	77
Cape Town	S	22	72	Jo'burg	S	25	77	Oslo	C	10	50	Venice	S	20	68
Caracas	S	27	81	Lima	R	21	71	Paris	S	13	55	Vienna	C	12	54
Casablanca	C	22	72	Lisbon	C	17	63	Peking	-	-	-	Warsaw	C	12	54
Chicago	C	20	68	London	C	17	63	Prague	C	6	43	Washington	-	-	-
Cologne	S	16	61	Los Angeles	C	22	71	Reykjavik	S	3	37	Zurich	F	12	54
Copenhagen	C	10	50	Luxembourg	S	13	55								
Corfu	S	22	72	Madrid	F	17	63								
Dallas	-	-	-	Majorca	F	26	79								
Dublin	C	11	52	Malaga	C	21	70								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US attacks Iranian oil platform

Continued from Page 1

ly-fledged war, and that Iran would avenge the US action with a "crushing blow". President Seyed Ali Khamenei said the attack was "a big mistake" and vowed to retaliate.

The Soviet Union termed the US move armed aggression and adventurism. Mr Mikhail Krutikhin, a commentator for the Soviet news agency Tass, said the attack on the oil platform came after the US had rejected ways of ensuring the freedom of Gulf navigation by action within the United Nations framework. He accused the Pentagon of trying to "lay hands on permanent military bases in the Gulf".

The seriousness with which Moscow views the attack in the Gulf appeared to be underlined when Mr Mikhail Gorbachev, the Soviet leader, and Mr Eduard Shevardnadze, the Foreign Minister, left the opening session of the Soviet parliament a few minutes after it started. Diplomats believed their abrupt departure was connected with events in the Gulf.

Among the US's staunchest allies and among congressmen in Washington there was strong support for the strike. Sir Geoffrey Howe, the British Foreign Secretary, said any country with naval forces in the Gulf might be called upon to take "action in self-defence" similar to that of the US. He placed the entire blame for the latest escalation on Iran.

On Capitol Hill, Democrats and Republicans said the move was a "measured and appropriate" response to Iran's missile attack on a US-flagged tanker in which 17 crew members were injured.

Congressional support for President Reagan's Gulf policy is vital if the US is to continue escorting Kuwaiti oil tankers through the strategic waterway.

Gulf War reports, Page 5; Editorial Comment, Page 16

FINANCIAL TIMES
Tuesday October 20 1987

AT&T net income slips to $505m

By Our New York Staff

AMERICAN Telephone & Telegraph, the largest US telecommunications group, yesterday reported a modest decline in third-quarter net income to $505m, or 47 cents a share, from $533m, or 48 cents a share, in the 1986 third quarter.

The group, which has been held back by losses from its computer operations, said revenues were $8.47bn in the quarter, a modest increase from $8.43bn in the September quarter of 1986.

In the nine months to September, AT&T earned $1.55bn or $1.42 a share as against $1.31bn, or $1.16 a share – after a $175m, or 16 cent a share, special charge. Revenues were $25.900bn against $25.56bn.

As part of its attempt to bolster its computer division, AT&T yesterday announced a technology-sharing agreement with Sun Microsystems, a California computer company.

Meanwhile, MCI Communications, the telephone group struggling to break AT&T's hold on the long-distance market, yesterday reported *operating net income of* $17m, or 6 cents a share, in the third quarter as against $35m, or 12 cents a share.

A tax credit of $5m increased this quarter's final net income to $22m, or 8 cents a share, against $18m, or 6 cents, after a special charge of $17m for repayment of debt. Sales were $994m as against $910m in the 1986 September quarter.

In the first nine months, MCI's operating net income was $44m, or 15 cents a share, against $71m, or 26 cents a share. After various adjustments, reported net income was $55m, or 19 cents, as against $54m, and 20 cents, in the first three quarters of 1986. Sales were $2.90bn as against $2.67bn.

New orders lift AT&T/Philips, Page 23

Doubt cast on response to BP share offering

BY RICHARD TOMKINS IN LONDON

THE SHARP fall in the London stock market has severely jeopardised the chances of a strong response to the £7.2bn ($12bn) offer of shares in British Petroleum.

The British Government nevertheless intends to press ahead with the issue and prospectuses for the share offering will appear as scheduled in national newspapers today.

As yesterday's rout in stock market prices took hold BP's existing shares quickly fell below the 330p price at which the new shares are being offered. They ended the day 34p down at 316p.

If the existing shares are still trading around that level when the offer closes on Wednesday next week, *the new shares* are likely to be perceived as unattractive and the response to the offer could be thin.

One City of London analyst said: "They could have a struggle on their hands to get the issue away at this level. But a lot can happen between now and next week when the market is as volatile as this."

Other analysts pointed to the strength of the oil price yesterday following events in the Gulf and suggested that BP's price might be well placed for recovery once panic selling had died down.

The government's advisers believe that institutional investors would still regard the new shares as attractive at yesterday's price levels because they are being sold on a partly-paid basis and offer a comparatively high yield.

However, a minimum of 50 per cent of the shares being offered have been set aside for private investors in the UK. If these people are frightened away by the headlines in this mornings' newspapers, the public response could be muted.

This would prove an embarrassment to the Government. At last week's launch, Mr Norman Lamont, financial secretary to the Treasury, said of the BP offering: "It will be another step on the road towards real popular capitalism in this country." He could not be contacted yesterday.

Any shares left unsold will be taken up by the underwriters, who ironically agreed to accept unprecedentedly low commissions for the BP offering following criticisms that they had made easy money on earlier privatisation issues.

The binding nature of the underwriting agreement and the loss of face which a turnabout would bring have ruled out a postponement of the offer unless there is a collapse in world stock markets between *now and the closing date.*

Other privatisation stocks also fared badly in yesterday's shakeout. British Gas lost 19p to 148p, British Airways lost 32p to 218p, Rolls-Royce lost 22p to 164p and BAA lost 11p to 138p.

Rorer to distribute blood virus drug

By Our New York Staff

RORER, the ambitious US pharmaceuticals company, yesterday announced that it had received approval from Washington *to distribute a new drug* which could hinder the spread of AIDS to haemophiliacs.

Rorer, which is in the throes of trying to take over A.H. Robins, the non-prescription drug company operating under Chapter 11 of the US Bankruptcy Code, said the US Food and Drug Administration had approved its drug Monoclate, a highly purified form of the blood-clotting factor in plasma that haemophiliacs use to control bleeding.

The drug has been purified by a monoclonal antibody process from Factor VIII:C, which is required to treat Haemophilia A. This is the most common form of the hereditary clotting disorder and affects more than 20,000 Americans.

Haemophiliacs frequently require blood transfusions and have been vulnerable to the spread of viruses in blood, most notable HIV which causes AIDS. But Rorer said yesterday that its studies had showed "there was a significant reduction in the titer (or concentration) of a variety of tested viruses, including HIV, during the product's manufacturing process."

Dr Peter Levine, a haemophilia expert at Worcester Memorial Hospital in Massachusetts who was involved in the clinical evaluation of the drug, said: "Monoclate appears to prevent newly diagnosed haemophiliacs from being exposed to viruses."

Improved margins boost Unisys profit by 145%

BY JAMES BUCHAN IN NEW YORK

UNISYS, the computer company forged last year by the merger of Burroughs and Sperry, yesterday reported a 145 per cent increase in net income in the third quarter to $129.7m.

However, the earnings improvement, which followed an increase in operating margins and incoming orders, could do nothing for the company in the demoralised stock market. At one stage yesterday Unisys had lost almost 20 per cent of its market value as its stock price tumbled.

Earnings per share in the September quarter rose from 34 cents to 85 cents, despite a 36 per cent increase in fully-diluted common *shares.*

Sales revenues at $2.22bn were ahead of the performance of the same businesses in the 1986 September quarter. Including revenues from businesses since sold, revenues in the 1986 third quarter were $2.42bn.

Comparisons were also distorted because results from Sperry were not fully included until September *1986. However, Mr Michael Blumental,* chairman of Unisys, said that the company remained confident its "1987 operational and financial targets set more than a year ago," at the time of the merger, would be met.

Net income in the nine months to September was $361.1m or $1.84 a share against $145.1m or $1.0 a share. Revenues were $6.91bn against $4.90bn.

● Wang Laboratories, the maker of minicomputers and word processors which is in the middle of a profits recovery, yesterday reported earnings of $22.5m or 14 cents a share in its first quarter to September. In the September 1986 quarter the company lost $30m.

Wang, which has been struggling to adjust to a mature market for its word processors, said that its sales revenues had climbed 16 per cent to $693m. The sales and earnings growth was due in part to increased orders for its VS 7000 minicomputer series, which was introduced in January. Orders in hand stood at $707m at the end of September, against $701m a year ago.

Mr Frederick Wang, the company's president, said the results showed the company *had made* progress in "strengthening and managing our business more effectively."

Trading losses in securities act as brake on J.P. Morgan

BY ANATOLE KALETSKY IN NEW YORK

SEVERAL LEADING US bank groups, including JP Morgan and Security Pacific, reported modestly higher earnings yesterday.

JP Morgan, holding company for Morgan Guaranty Trust, the fifth largest US bank group, earned $219m or $1.18 a share after tax in the third quarter, 3.6 per cent up on the $211m or $1.15 it reported last year.

Among the factors weighing down the bank's results were significant trading losses in the securities markets.

Foreign exchange trading produced a profit of $26.4m in the third quarter, *well down on the $43.1m it* earned the year before. The bank fared much worse in other markets, recording total trading losses of $12.7m, against the profits of $32.5m last year.

Morgan's interest earnings were also down, by 9.9 per cent to $474.3m, as the average net yield on the bank's asset portfolio fell to 2.71 per cent from 3.13. These negative factors were offset by rapid growth in the bank's trust and agency business – up 22 per cent at $108.7m – and fee and commission income, which grew by 40 per cent to $154.5m.

Security Pacific, the seventh largest *bank*, posted net income of $128m, up 8.3 per cent on last year's $118m. On a per share basis, Security Pacific's income was only 6.4 per cent higher at $1.16 a share, because of slight earnings dilution resulting from the acquisition of Rainier Bancorp of Seattle in August.

Security Pacific enjoyed a 12 per cent increase in net interest income, to $602.4m, while non-interest income grew by 14 per cent to $471.8m. In the latter category, trading profits and most types of fee income increased. But capital gains on investment securities holdings totalled only $600,000, compared with $20.6m a year ago.

FCA returns to red as loan and mortgage sales retreat

BY OUR FINANCIAL STAFF

FINANCIAL CORPORATION of America, the troubled leader of the US savings and loan industry, fell sharply back into the red for the third quarter as sales of loans and mortgage-backed securities, its life-preserver over the past two years, fell away.

The company, which Ford Motor is interested in acquiring through its First Nationwide financial services arm, said yesterday it was "exploring several alternatives for achieving value while raising capital."

Mr William Popejoy, the chairman, added: "Any proposal to acquire or restructure the company will be viewed by management from this perspective."

The quarterly net loss reached $75.8m, or $2.20 a share, compared with $11.6m in profits (24 cents a share) in the same period last year. This came as the gain from loan sales fell to $12.4m from $93.4m.

The company said the income was reduced by adverse interest rate fluctuations.

For the nine months when these credits brought in $139.7m against $264.0m, the net loss amounted to $243.4m ($7.04 a share) compared with earnings of $72.2m ($1.69) by the same stage in 1986.

FCA said it had a net deposit decrease of $415.4m in the latest quarter, resulting mainly from institutional deposits reacting to the company's pricing strategy and to its efforts to manage the cost of funds. Deposits stood at $16.9bn while loans were $10.8bn against $12bn a year earlier.

Assets contracted to $33.4bn from $34.1bn. Of these, non-performing or under-performing assets were $1.34bn, down from $1.77bn.

US chemical industries post mixed results

CONTRASTING RESULTS were reported from the US chemical industry yesterday, with a sharp fall in third-quarter profits at Monsanto *balanced by increases at American* Cyanamid and Rohm & Haas, writes Our Financial Staff.

Monsanto's net earnings in the quarter fell from $144m or $1.85 a share to $100m or $1.30, while sales rose from $1.89bn to $1.9bn. However, the 1986 figures include net gains of $63m from asset sales.

Monsanto said sales of its NutraSweet artificial sweetener fell from $179m to $177m in the third quarter due to a continuing decline in usage by the powdered soft-drink market. However, a growing market for diet sodas, about 90 per cent of which use NutraSweet, offset much of the sales loss.

At American Cyanamid, third-quarter operating net earnings rose from $44.8m, or 49 cents a share, to $54.7m, or 59 cents, on sales up from $921.4m to $1.04bn.

Rohm & Haas increased net profits for the period from $37.3m, or 54 cents a share, to $39.3m or 57 cents. Sales advanced from $488.5m to $540.9m.

Asea details Boveri reshape

BY SARA WEBB IN STOCKHOLM

ASEA BROWN BOVERI, the electrical engineering group being formed by merging Asea of Sweden and BBC Brown Boveri of Switzerland, is to be organised into four main business areas, Asea said yesterday.

The four sectors, which will account for about 60 per cent of the new group's turnover and will cover the areas requiring global co-ordination, will be:

● Power plants – including steam and gas turbines, hydropower, nuclear power, thermal power plants for utilities and industry, and power plant control.

● Power transmission – grouping high-voltage switchgear, power transmission systems, power network control, transformers and components, relays, cable and wire.

● Power distribution – encompassing low-voltage systems and control equipment, electrical installation, medium-voltage apparatus and systems, and industrial switchgear.

● Industrial equipment – including electric drives, industrial plants, metallurgy, automation, oil and gas.

Asea Brown Boveri, which will be the world's biggest electrical engineering concern, will have about 30 seperate business areas, falling within and outside the four main business areas.

Those outside the core areas include Flaekt, Asea's gas and air treatment subsidiary, SAE (Societale Anonima Elettrificazione), Brown Boveri's line building group in Italy, and instrumentation companies in the Kent group.

The transportation *equipment,* robotics, motors, superchargers, and telecommunication operations will also be organised outside the main areas.

Asea said central research resources and laboratories in Switzerland, Sweden, and Germany would be strengthened and come under the responsibility of Dr Berthold Romacker, a member of the Brown Boveri executive committee.

Geographical markets will be managed by local country managements. ABB will be based in Switzerland and will have regional headquarters in Baden, Mannheim, and Vaesteraas (Sweden).

FN to cut jobs as sales fall

BY WILLIAM DAWKINS IN BRUSSELS

FABRIQUE NATIONAL Herstal, the ailing Belgian arms maker, yesterday unveiled a decline in sales, a BFr1.2bn ($31.8m) net loss and plans to shed 1,025 staff.

The group, which has been in loss *since the start of 1986*, recorded sales of BFr8.2bn in the first eight months of the year, BFr2.6bn down on the same period in 1986.

It made a BFr1.2bn loss by the end of August and expects a BFr1.8bn deficit by the end of the year, a slight decline from last year's BFr1.45bn shortfall.

Yesterday's plans for fresh staff cuts follow a reduction of 1,000 in the workforce already announced for this year and is designed to adapt FN to a lower level of activity, the group said.

The company predicts that this year's sales will come out at BFr14.4bn, which compares with BFr20.9bn in 1986 and is well short of its BFr19.2bn target.

It blamed the setback on a shortage of orders and world overcapacity in light arms, delays in aircraft development projects and the company's inability to react fast enough to these events and to slim down heavy stocks.

The announcement of the cuts was immediately condemned by the CNE, the main trade union at FN, which said it "regretted with much bitterness" being asked to surrender more jobs and that it would only agree to voluntary redundancies.

FN, 21 per cent owned by Société Générale de Belgique, the major industrial holding group, plans to cut general and administrative overheads by 50 per cent over the next three years, of which 20 per cent must go in 1988, said the company.

This will involve a BFr1.3bn cut in the salary bill next year, to be achieved by early retirement for 625 staff, 200 redundancies and 200 lay-offs.

Bally to sell health clubs

BALLY MANUFACTURING, the Chicago-based entertainments company, has agreed to sell its Health and Tennis Corporation subsidiary, the largest health club chain in the US, to a group of investors for more than $500m.

The group said it would receive more than $500m in cash, securities and assumed debt from a new company formed by investors including Citicorp Capital Investors

Quebec challenges Ottawa over deregulation

BY ROBERT GIBBENS IN MONTREAL

QUEBEC, which led the way in Canada's financial industry deregulation in 1983, is on a collision course with Ottawa over the ownership of financial institutions.

The Federal Government, reacting to the failures several banks and trust company in Ontario and western Canada in the past five years, wants to tighten regulation of federally-incorporated institutions. Control by conglomerates, such as Imasco, would be limited to 65 per cent and possibly less over time.

Ottawa supports the principle that widely held institutions are more desirable than those controlled by one or a few shareholders or commercial interests.

Mr Claude Castonguay, chairman of the Laurentian Group, a diversified financial services company with assets of C$12bn (US$9.23bn), says the Federal Government is determined to ban all new ownership links between the commercial and financial sectors of the economy and to force existing links to wither away contrary to trends elsewhere in the world.

"This would deny smaller institutions the capital they need to grow. Neither Quebec nor Ontario is denying their provincially chartered institutions access to capital from the commercial sector."

Mr Pierre Fortier, Quebec's Associate Finance Minister, said the province was revising its financial industry legislation further, and would provide wider powers, to trust companies, credit unions, insurance companies and other institutions.

It would stand by the principle adopted in 1983 that non-financial firms can own institutions fully and it wants to encourage the formation of more large pools of capital able to compete with large international groups.

Mr Fortier said the new Quebec legislation would clarify many areas, such as conflict of interest. He added that the province wanted to co-operate with Ottawa and Ontario in creating a competitive financial system, but pointed to another area of dispute.

This concerns an agreement between *Ottawa and Ontario to allow* federal supervision of the "exempt" or institutional market in large blocks of stocks and bonds.

Traditionally, securities trading in Canada is an area of provincial jurisdiction, jealously guarded against any temptation for the Federal Government to attempt a Canadian version of the US Securities & Exchange Commission.

Most provinces argue that the principle cannot be given up and the provincial securities commissions have adequate power to do the job.

● Canada Trustco, part of the Montreal-based Imasco financial and commercial conglomerate and the largest Canadian trust company with assets of C$25.7bn (US$19.76bn), boosted third-quarter net income by 48 per cent to C$52.5m, or C$1.22 a share, from C$35.4m, or 85 cents, in the 1986 quarter, writes David Owen in Toronto.

Earnings for the nine months ended September 30 totalled C$145.7m, or C$3.42 a share – up 60 per cent from C$91.3m, or C$2.19, in the corresponding 1986 period.

Cable and Wireless to merge HK offshoots

By David Dodwell in Hong Kong

CABLE AND WIRELESS, the UK telecommunications group, revealed plans in Hong Kong yesterday for the merger of its two local operating companies - Hongkong Telephone and Cable and Wireless (Hong Kong) - under a new holding company to be called Hong Kong Telecommunications.

The new company will be at least twice as large as any other company listed on the Hong Kong Stock Exchange, accounting for about 14 per cent of the Hang Seng index. The group's market capitalisation ahead of yesterday's stock market plunge would have been about HK$92bn (US$11.8bn).

Mr Brian Pemberton, managing director of the British group, said yesterday that the reorganisation would bring under one umbrella the two companies in Hong Kong that control the territory's telecommunications.

Hongkong Telephone has a franchise to provide local telephone services, while Cable and Wireless has a monopoly of international telecommunications into and out of Hong Kong. Both will retain their operating independence after the merger.

The reorganisation will have the effect of "localising" Cable and Wireless (HK), a move which has been seen as politically astute ahead of Peking's recovery of sovereignty in 1997.

It was revealed yesterday that the subsidiary's turnover in the year to March was HK$2.64bn, which generated after-tax profits of HK$1.39bn - accounting for about three-quarters of the total profit of the parent group. By comparison, Hongkong Telephone earned HK$952m on turnover of HK$3.2bn.

At present, Cable and Wireless owns 80 per cent of Cable and Wireless (HK) with the Government owning the remaining 20 per cent. The UK company owns about 79 per cent of Hongkong Telephone, with the remainder of the shares in public hands.

Under the first stage of the reorganisation, Hongkong Telephone will lose its public quotation. Existing shareholders are to be offered two shares in the new holding company in exchange for every Hongkong Telephone share they own. This will amount to about 9 per cent of Hong Kong Telecommunications' share capital. They will, in addition, be offered one warrant for every five new shares, with the right to exercise the warrant within five years at HK$10.

The Hong Kong Government, which has held its 20 per cent Cable and Wireless (HK) stake since the UK Government floated the parent company in 1981, will exchange its holding for an 11 per cent stake in Hong Kong Telecommunications.

As a second stage of the reorganisation, both Cable and Wireless of Britain and the Hong Kong Government will sell to the public a 5.5 per cent stake in the company, boosting the shares in public hands to about 20 per cent, and reducing their holdings to 74.5 per cent and 5.5 per cent respectively.

This share placing, timetabled for January or February next year, is likely to provide a windfall to both major shareholders of about HK$5bn. The Hong Kong Government originally paid HK$700m for its stake.

It is understood that the Hong Kong Government will by early in 1989 dispose of its remaining 5.5 per cent stake, since as a matter of policy officials feel the Government should not have substantial equity stakes as part of the Exchange Fund which constitutes Hong Kong's reserves.

Three companies that are currently subsidiaries of Hongkong Telephone - CSL, which provides telephone equipment and related services, Integrated Business Systems (IBS) and Computasia - will under the reorganisation become subsidiaries of the new holding company, leaving Hongkong Telephone solely operating its franchised telephone service.

John McIlwraith on the Edsel of Australia's exploration industry

Anglo American prospects brighten

ANGLO AMERICAN Corporation, one of the world's mining giants, has a less than distinguished record in Australia. After 22 years unsuccessfully seeking gold and other minerals, the South African group has a reputation for being the Edsel of the Australian exploration industry.

Now, through a partly-owned local company, it finally has a significant project.

It will treat the dross of more than 80 years' toil on the Golden Mile, most of the 50m tonnes or so of soil that lies in tailings dumps (much of it reprocessed before).

The one part in 3m tonnes of gold that will be extracted should be the basis of a profitable operation, given the highly efficient gold extraction processes that now exist.

However, the project has attracted criticism in Australia, with claims that the company should not be allowed to manage the A$30m (US$21.6m) venture. By an unhappy coincidence, the project was announced only a few days before South African Airways was forced to end a 30-year association with Australia. Its direct Perth-Johannesburg service has been banned by the Australian Government, as part of economic sanctions.

De Beers, Anglo American's sister company, markets most of the stones from Argyle, the world's biggest diamond mine, in Western Australia.

Anglo American has, by its own admission, never been successful as an explorer in Australia and in recent years instead has turned to buying interests in prospects either proven or promising.

The only gold mine it has launched, the Blue Spec, in the early 1970s, had a brief and disastrous career before being shut. But doggedly, Anglo American has remained a permanent if so far unprofitable migrant and indeed is in the process of naturalisation.

This year it floated most of its Australian interests in a local public company, Anglo American Pacific, with the Kalgoorlie tailings dumps the major asset.

Embarrassment

Anglo American is still a little uncomfortable that it controls about 60 per cent of the Australian company but, as opportunities arise to invest more money, it will take in additional Australian shares to reduce its holding below the required 50 per cent.

Embarrassment over the company's South African connection was intensified last week when a West Australian state government body acquired a 15 per cent interest in the tailings venture.

Goldcorp, a company set up by the West Australian Development Corporation to promote the state's booming gold mining industry, will pay proportional costs of development, plus its share of exploration and proving expenses already incurred.

Perhaps with a touch of the quixotic, Anglo American Pacific may plunge into a similar operation in Fiji, to treat the vast tailings held there at the long-running Emperor mine.

The South African-Australian company will carry out feasibility studies into launching a tailings operation there similar to the one at Kalgoorlie, presumably confident that a measure of political stability will return.

Even the Kaltails venture, as it is now known, has not run smoothly.

Anglo American has held 32m tonnes in 10 dumps under option since 1979 but low gold prices and a shortage of water at first deterred their processing.

However, by 1984 the project looked attractive enough for Anglo American to exercise its option over the areas, and by the end of 1986 a major source of underground water had been found a few kilometres away which enabled serious planning to begin. The project will require a tonne of water for every tonne of tailings treated, to sluice the vast plateaus into pipes, where ultimately they will be treated in a carbon-in-pulp and carbon-in-leach circuit.

The scale of the project is such that it willl require the treatment of 3.5m tonnes of tailings a year to produce just 40,000 ounces of gold. The yield will be an average of 0.3 grams per tonne, which, given today's gold prices, will provide an income of between A$7 and A$8 a tonne. Operating costs are expected to be no more than A$4 a tonne.

The project has faced some challenges in local courts and changes to state legislation will be necessary to give it secure tenure of its dumps.

Even allowing for financial and other charges, the venture is expected by analysts to provide a profit of more than A$10m a year.

Loan access

The newly public company is well set up to launch the venture, with cash of more than A$10m and access to the kind of gold loan which will incur very modest interest charges.

It already has a cash-flow of sorts, through a 40 per cent interest in the Mt Morgan gold tailings treatment operation in Queensland, which is managed by Peko Wallsend.

That has a capacity of 4m tonnes a year and is expected, when in full production, to yield 90,000 ounces of gold at its peak.

The Kaltails venture has the attraction of another possible 17m tonnes of tailings controlled by other companies but which, after negotiation, could be treated by Anglo American Pacific. The new company has a number of other gold prospects.

After its many years of frustration and expense in unsuccessful exploration in Australia, Anglo American must be gratified to see some cash flow from its operations, and even the likelihood of some profits in the next few years.

Randfontein Estates hit by miners strike

BY JIM JONES IN JOHANNESBURG

THE three-week strike by black miners hit the Randfontein Estates mine of Johannesburg Consolidated Investment particularly hard in August and sharply reduced the working profit in the September quarter.

Mr Ken Maxwell, chief executive, said yesterday that 70 per cent of underground production was lost during the strike and that it was not possible to process surface dump material as men were on strike in the mine's processing plant.

Production continued to be disrupted after the strike had ended as men had to be re-hired or new men trained. Some of the effects are still being felt.

About 207,000 tonnes of ore were lost because of the strike and only 1.73m tonnes were milled during the September quarter against 1.92m tonnes in the period to June. The mine's overall recovery grade dropped to 2.8 grams per tonne (g/t) from 3.0 g/t as a greater proportion of low-grade surface dump material was milled.

JCI GOLD QUARTERLIES

	Gold produced (kg) Sep 87	Gold produced (kg) June 87	After-tax profit (Rm) Sep 87	After-tax profit (Rm) June 87	Earnings per share (cents) Sep 87	Earnings per share (cents) June 87
Randfontein	4,847	5,760	36.88	66.97	(92.6)	385.2
W Areas	3,230	3,084	(2.96)	2.17	(34.2)	(15.7)

Earnings per share calculated after capital expenditure. Figures in parentheses are negative.

Mr Bob Bertram, the mine's consulting engineer, hopes that monthly mill throughput of underground ore will recover to 550,000 tonnes by the end of this year. Nevertheless, capital expenditure is being cut to conserve cash in the wake of the past quarter's profit collapse.

Western Areas, which is also managed by JCI, was largely unaffected by the strike despite reports at the time that many of the mine's black employees had downed tools.

Production is recovering from the effects of earlier labour disruptions which arose from disputes over redundancies caused by mechanisation of underground operations. Nonetheless the mine suffered another operating loss.

Working losses have been reported each quarter this year though the June quarter's results have now been adjusted to take into account a R6m ($2.9m) rebate of service fees by JCI. The amount is a refund of part of the past year's service charges, though Mr Maxwell could not say yesterday what percentage of the total charge it represents.

● Genbel, the Gencor group's investment holding company, is negotiating the transfer of its precious metals mineral rights to Marievale, the veteran gold mine managed by Gencor.

If the deal is completed, Genbel will become purely a investment holding company while Marievale can provide tax benefits and an immediate stock exchange quotation if it is converted to a mining holding company.

Most of Genbel's mineral rights are adjacent or close to existing gold mines and several are expected to be incorporated into operating mines in the near future. Normally the company does not participate directly in the establishment of new mining operations,

Negotiations are taking place to transfer mineral rights on the Witkleifontein farm to the Kinross gold mine and this is expected to be followed by the transfer of rights on the Twistdraai farm to the Winkelhaak mine. Other transfers are expected in the Orange Free State where several new gold mines are on the way.

INTL. COMPANIES & FINANCE

Renault reorganises Iberian units

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned car group, has launched a strategic reorganisation of its large Spanish and Portuguese operations, in an effort to preserve its strong position in these markets as competition intensifies with the integration of the two countries in the European Community.

The company has already integrated its separate Spanish and Portuguese operations under a new management structure for the whole of the Iberian peninsula, with Mr Francis Stahl taking responsibility last month for all the Iberian operations.

Mr Stahl, former head of Renault's overseas businesses, the Direction des Affaires Internationales, said the company intended to integrate its Spanish and Portuguese operations into Renault's general industrial production system, to enhance competitiveness and productivity.

Up to now, these operations have been run as separate entities serving the needs of their respective markets.

In Spain, through its Fasa subsidiary, Renault currently commands more than 25 per cent of the market.

In Portugal, where Renault has developed a strong industrial presence during the past eight years through an association with the Portuguese Government, the company has seen its market share rise from about 23 per cent in 1980 to 33 per cent this year.

Its nearest rivals in Portugal are Fiat and General Motors, each with nearly 12 per cent of the market.

In spite of its strong industrial presence in these markets, Renault expects to face increasing competition as trade barriers disappear. The Portuguese market will be open to all European car imports from the beginning of next year, while the Spanish market has already seen an intensification of competition.

Renault will no longer produce a complete car range in Spain for the Spanish market and a separate range for Portugal.

At present, Renault makes in Spain the R5 mini, the R9 and R11 medium-sized saloons, the bigger R21 and its station wagon model, as well as the small R4 van.

In future, the group intends to concentrate production in Spain on three models. Renault currently produces 1,500 cars a day in Spain but has capacity to increase production to 1,750 cars a day.

In Portugal, where Renault produces 260 cars and vans a day, the company manufactures the R5, the R9 and R11, as well as its Trafic light van.

The Spanish and Portuguese operations have proved good money makers for the company

Mr Stahl explained during a visit at the end of last week to Renault's Portuguese operations: "We now intend to specialise production in Portugal on two complementary models to the Spanish operations.

"This means we will make three models in Spain and two in Portugal in an integrated productive system."

At the same time, the French group will integrate its engine and components manufacturing operations in the two countries. Mr Stahl said Renault was also planning to manufacture a new engine in Spain.

In spite of Renault's well-publicised problems in France - the Government is expected soon to announce a Bill to change the privileged status of the company as a state *regie*, coupled with a recapitalisation of the group's balance sheet - the Spanish and Portuguese operations have been good money makers for the French company.

Last year Fasa made a FFr441m ($73m) profit on sales of FFr14.6bn and the Portuguese subsidiary is expected to make a profit of about FFr300m this year - more than Renault's original cash outlay of FFr280m for its Portuguese industrial investment.

Under the circumstances, it is hardly surprising that Renault is seeking to strengthen its industrial and marketing structure in the Iberian peninsula, to ensure these operations continue to pump in money in the more competitive environment of the unified European market of 1992.

New orders lift AT&T-Philips

BY DAVID THOMAS IN GENEVA

THE joint telecommunications venture between American Telephone & Telegraph (AT&T) of the US and Philips of the Netherlands is forecasting a big increase in turnover next year, following a spate of new orders announced yesterday.

The joint venture, founded in 1984, has been struggling to regain credibility in Europe since it failed to take control of CGCT, the second biggest French public exchange manufacturer, earlier this year.

However, in Geneva on the eve of a large international telecommunications exhibition, Mr E.J.Eckel, AT&T-Philips president, announced new orders worth $350m spread over the next few years.

They consist of $250m of public exchanges from the Netherlands and India, together with an order for a specialised exchange for its Freephone service from British Telecom and $100m of transmission orders from Belgium, Italy, BT, and AT&T in the US.

Mr Eckel said he expected the joint venture would have sales of Fl 900m ($445m) this year, about 20 per cent up on last year.

This year, sales would increase 30 per cent and the joint venture would move into profit for the first time.

AT&T-Philips is concentrating increasingly on specialised exchanges - such as that for BT's Freephone service - having failed on a broad front to break into the European market for exchanges for the basic telephone network.

It is believed to be close to announcing its first order for such specialised exchanges from Spain.

Mr Eckel disclosed that the joint venture would have remained loss-making next year if it had gained control of CGCT, reflecting the high cost of entry to a new market in telecommunications.

Puma posts DM14m loss in first half

By Our Financial Staff

PUMA, the West German sportswear manufacturer, said it posted a 1987 first-half group loss of about DM14m ($7.7m), of which the largest portion was in the US.

Mr Armin Dassler, managing board chairman, told the annual shareholders' meeting that parent company turnover was expected to fall to DM650m over the whole year, from DM698.4m in 1986.

In the whole of 1986 Puma posted a group consolidated loss of DM41.05m. Mr Dassler said Puma hoped to improve performance this year in the US - its most important export market - where heavy losses were mainly responsible for the 1986 deficit.

Puma expected to post a group loss in the second half of this year but the shortfall would be lower than in the first six months. The same applied to expected parent company losses, Mr Dassler added.

He said Puma had taken measures to improve future performance, including changing the product range, closing some unprofitable factories in West Germany and France and introducing general cost-cutting.

Meanwhile, Adidas, Puma's West German rival, has appointed Mr Rene Jaeggi as its managing board chairman, succeeding the late Mr Horst Dassler.

Mr Jaeggi, 38, had been responsible for marketing and distribution since July 1986 and had become a member of the managing board in February 1987.

Mr Dassler, whose family founded the company after the Second World War, died in April.

Lower forecast for Norsk Data

NORSK DATA, the Norwegian computer company, said weak sales outside Europe had forced it to lower its 1987 pre-tax profit forecast by NKr100m and its expected 1987 sales figure by about NKr150m, Reuter reports from Oslo.

Norsk Data said in August it expected to show a pre-tax profit of between NKr550m and NKr600m ($90.9m) this year.

The sales figure was lowered after it became clear sales in North America and India would not match earlier predictions.

It was doubtful that this discrepancy could be compensated by a corresponding increase in European business.

The company said its sales in Europe remained strong, however, and were expected to grow by 25 to 35 per cent in 1987.

Norsk Data showed a NKr177.9m pre-tax profit for the first six months of 1987, up 6 per cent from NKr168m a year ago. Its 1986 pre-tax profit before year-end allocations was NKr475m, against NKr364m.

Fermenta SKr83m in red for first eight months

BY SARA WEBB IN STOCKHOLM

FERMENTA, Sweden's scandal-ridden antibiotics and chemicals group, reported losses after financial items of SKr83m ($13m) for the first eight months, on sales of SKr2.2bn, and forecast full-year losses of up to SKr140m after financial items.

Mr Bertil Holmberg, managing director since February, said no meaningful comparison could be made with last year's figures "due to the errors that were embodied in last year's interim report for January to August" - a terse reference to the imaginative accounts presented by previous management.

Mr Refaat El-Sayed, the former chief executive of Fermenta, is under investigation for fraud and book-keeping irregularities.

Fermenta's eight-month loss includes a deficit of SKr81m in the first four months alone. The relative improvement in the second four-month period is largely due to the plant protection unit.

However, Fermenta said group sales were hit by the lower dollar and a combination of weak demand and lower prices

Last Wednesday, Fermenta agreed to sell its loss-making fermentation subsidiaries - apart from the one in Sweden - and joint ventures to Burns, Philp of Australia for SKr600m. The transaction is calculated to bring SKr180m in capital gains.

The group's plant protection business - part of SDS Biotech - experienced strong demand, but earnings for the animal health products in SDS were affected by the cost of merging with Techamerica, the US animal health company.

Fermenta was saved from the brink of financial collapse earlier this year and raised SKr596m from institutional investors and shareholders.

INTL. COMPANIES and FINANCE

Stephen Fidler reviews fixed-rate securities

Bonds escape the worst as dealers see shift in funds

TURMOIL IN the world's stock markets spread into international bond markets yesterday, causing price declines in every fixed-income market.

However, while in many currencies bond yields rose to recent peaks, the reaction in the bond markets was substantially less dramatic than in shares.

Bond markets have been suffering six months of decline while shares have continued relatively strong, and the possibility that fixed-interest markets might be a beneficiary of some of the funds leaving equities persuaded some more optimistic traders that something of a bond market recovery might be in hand.

A growing number of bond market analysts had been pointing to the growing discrepancy in many countries, including the US and UK, between the yields on shares and on bonds. This has meant that, apart from the immediate effect on bond market sentiment, the sharp declines in the equity markets have not provided a compelling reason for further bond markets falls.

While the crisis of confidence in stock markets provided the main reason for yesterday's bond market falls, there were other reasons hitting sentiment early in the day. However, by the close in London, many markets were off their lows.

US dollar bond prices dropped significantly in Tokyo after weekend remarks by Mr James Baker, the US Treasury Secretary. His comments shook confidence in the continued existence of the Louvre accord, the February agreement under which governments of leading industrial nations countries agreed to reduce fluctuations in currency values and establish unpublished currency target zones.

"We will not sit back in this country and watch surplus countries jack up interest rates and squeeze growth worldwide on the expectation that the United States somehow will follow by raising its interest rates," said Mr Baker.

His statement, seen as threatening the value of the dollar and consequently the willingness of foreign investors to continue buying US Treasury paper, helped push the dollar and US bond market lower. After a volatile day of trading in Europe, the US bellwether long bond was yielding 10.32 per cent, down 1¼ points on Friday at the same time but little changed on the opening.

Offering a clue as to where the cash from the equity markets was being parked, US Treasury bill yields fell, with yields on the three-month issue falling about 0.3 percentage points to just over 6.5 per cent.

Mr Baker's comments, which followed more direct criticism last week of West Germany, were a clear response to last week's raising of money market rates by the Bundesbank.

Yesterday, the Bundesbank partly reversed the move, however, implying perhaps that it was concerned that it might have gone too far last week in view of Baker's reaction and in view of the reaction in German capital markets themselves. Dealers reported the central bank repeatedly injected liquidity at 3.7 to 3.8 per cent compared with 3.85 per cent last week.

The move seemed to have little immediate impact on the West German market though, where prices of domestic bond and Eurobonds were down by

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about a point. Average yields on outstanding public bonds rose 12 basis point to 6.93 per cent.

Last week, as a result of the government announcement of plans to reimpose withholding tax, yields on Eurobonds issued by supranational borrowers fell below the equivalent federal government issues. Yesterday, the spread between the two widened still further with supranationals yielding some 25 to 30 basis points less, compared with 15 to 18 basis points on Friday. Yields on mortgage and municipal bonds fell for the first time below those on federal bonds yesterday.

The Japanese government bond market by contrast opened in a buoyant mood, benefiting from the weakness of the dollar. But news of the US naval attack on an Iranian oil platform in the Gulf turned the market sour. The yield on the benchmark No 89 government bond rose over 6 per cent to 6.11 per cent from 5.90 on Friday.

The French bond market was badly hit, causing the December bond contract on the Matif futures market to move its maximum permitted limit down twice. The contract closed down 376 basis points, while the yield on the Treasury bond of 8½ per cent maturing in 1994 rose from 11.34 per cent to 11.91 per cent. The price of French domestic bonds fell by 200 basis points, while Eurobonds in the 10-year sector were down by up to 250 basis points.

Sterling bond yields also showed resistance to dropping below US yields. Dealers said that worries about money supply figures later this week were helping to prevent UK yields falling below US yields.

The Dutch market also lost ground, falling by up to a point with the yield on the seven-year maturity rising from 7.45 per cent to 7.70 per cent. But the market may be expected to benefit over the longer term, dealers said, from statements over the weekend that the Dutch government has no intention to follow the West Germans in imposing witholding tax.

Ecu Eurobond prices were also lower, falling by 1 to 1½ points in the longer maturities.

The new issues sector of the Eurobond market was, as could be expected, quiet. But as the dollar market's tone improved during the afternoon, Barclays Bank made a $200m offering with the two-year maturity which has been virtually the only period to be attempted in the market's recent difficult times.

The Barclays issue, led by Barclays de Zoete Wedd, was seen as generously priced with a 10¼ per cent coupon and 101⅛ pricing, giving a roughly 90 basis point spread over US Treasuries although the market volatility made this a difficult figure accurately to judge. It was bid at the fees.

Electricite de France made a Y15bn seven-year floating-rate note issue led by IBJ International, with a 6.25 basis point margin over Libor. The issue was quite well received, bid at its fees, helped by currency considerations and general worries about rising interest rates.

The issue is in fact the first floating-rate note in yen for a sovereign borrower - the issue

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is guaranteed by the Republic of France - since 1985. Few sovereign issues have been seen in any currencies since the debacle in the floating-rate note markets earlier this year.

Other borrowers are contemplating issuers on similar lines, the lead manager said, remarking that the issue was broadly placed geographically.

In Switzerland, City of Copenhagen made a two-tranche issue totalling SFr80m, led by Kredietbank (Suisse). The first of the two equal par-priced parts was for eight years, with a coupon of 5¼ per cent, and the second for 10 years, with a 5⅜ per cent coupon.

Mitsui Finance International launched two deals repackaging existing bonds. An A$129m issue in the name of Wings 1, packaging $81m of fixed-rate securities, had an 8½- year maturity, a price of 100.96 and a coupon of 8.6875 per cent. It is payable in US dollars, and redeemable in New Zealand and Australian dollars, pounds and D-Marks.

A $37.5m five-year issue by Wings 2 was priced at 100.05 with a 25 basis point spread over Libor.

Fuji International Finance led a $35m five-year repackaging deal for Sprint 2, priced at 100.1. It was backed by Japanese equity warrant bonds.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	88⅞	88⅝	−0⅛	−1⅛	10.98
All Nippon Air 9⅝ 97	100	87¼	87¾	−0⅛	−2⅝	11.56
American Brands 8⅞ 92	150	92	92⅜	0	−1⅜	11.07
A/S Eksportfinans 7⅞ 93	100	85⅜	85¾	−0⅜	−1⅛	10.98
A/S Eksportfinans 7¼ 92	150	87⅞	88¼	−0¼	−1⅛	10.89
Belgium 9⅛ 92	400	93⅛	93⅝	−0⅛	−1⅜	10.93
British Telecom 7⅞ 96	250	†79	79½	−0⅝	−2½	11.45
British Telecom 8⅞ 94	150	†89⅜	89⅝	−0¼	−2¼	11.17
Campbell Soup 10½ 95	100	97⅜	98⅛	+0⅛	−2⅞	10.90
Canada 9 96	1000	89½	90	−1⅝	−1¼	10.91
Canadian Pac 10¼ 93	100	†98¼	98¾	−1½	−2⅞	11.09
C.C.C.E 7⅛ 91	113	89⅛	89½	0	−0⅞	10.54
C.N.C.A 7¼ 91	150	88⅜	89	−0½	−1⅛	10.76
Coca-Cola Ent. 8⅛ 90	100	†95⅞	96⅜	−0¼	−0⅛	9.90
Credit Lyonnais 9 91	200	95⅜	96	+0⅛	−0⅞	10.57
Credit National 7⅞ 92	100	88⅛	88½	−0¼	−1⅛	10.77
Credit National 7¼ 91	150	89	89½	−0⅛	−1	10.56
Denmark 7⅞ 92	500	86⅞	87⅜	−0⅛	−1⅛	10.95
Denmark 8¼ 91	300	92⅞	93⅜	−0¼	−1	10.59
E.E.C 7 91	100	88⅜	89¼	−0¼	−0⅞	10.40
E.E.C. 7¼ 93	250	85¾	86¼	+0⅛	−1⅜	10.79
E.E.C 8¼ 96	100	84⅛	84½	−0¼	−1⅞	11.16
E.I.B. 7⅞ 93	100	85¼	85¾	−0⅛	−1¼	10.97
E.I.B. 9⅞ 97	150	89	89⅜	−0⅞	−2	11.25
Finland 7⅞ 97	200	79⅞	80⅜	−0⅝	−1⅞	11.47
Finland 7½ 93	200	†85	85½	−0⅜	−1⅞	11.02
Ford Motor Cred 11⅛ 90	100	†102¼	102¾	−0¼	−0¼	10.05
Gen Elec Credit 10¼ 00	200	*†100⅛	100⅝	0	−0⅛	10.18
G.M.A.C. 8¼ 89	200	†97¾	98¼	0	−0⅛	9.52
Hoesch 8¼ 97	100	†83	83½	0	−2⅝	11.19
Hoesch 7⅞ 92	100	91⅞	92⅜	−0⅛	−0¼	9.61
Hoesch 7⅞ 94	300	†86⅛	86⅞	0	−1⅛	10.85
Liberty Mutual 8½ 96	150	84½	85¼	−1½	−2⅛	11.32
L.T.C.B of Japan 8 91	100	91¼	92¼	0	−0⅞	10.64
L.T.C.B. of Japan 8 97	200	80⅜	81	+0⅛	−1⅛	11.49
Mercds-Benz Cred 7½ 93	100	*†89⅜	89⅞	0	−0⅛	9.98
Mercds-Benz Cred 8¼ 92	100	93⅝	94⅛	−0¼	−1⅜	9.92
Mitsubishi fin. 7⅞ 93	100	84⅝	85⅛	−0⅛	−1⅞	11.41
Mutual America 7⅞ 92	100	†88¾	89¼	−0¼	−1¼	11.00
Norway 7¼ 91	500	†89⅝	90¼	−1	−1⅛	10.54
Pepsico Inc 7⅞ 93	200	†85½	86	−0⅞	−6⅛	10.90
Prudential Crp. 8¼ 94	125	†88⅞	89⅜	−0⅛	−1⅜	11.11
Qantas Airways 10⅜ 95	140	†95	95½	−0⅞	−2	11.31
Republic of Italy 9 90	100	†97⅛	97⅝	+0½	−0¼	10.07
Saab Scania 9½ 91	125	97⅜	97⅞	−0⅛	−0⅞	10.38
Saskatchewan 10⅝ 92	100	99⅝	100⅛	0	−1½	10.71
State Bk S Aust 9¼ 93	100	†92½	93	+0⅛	−1⅜	11.10
Swedish Expt.Crd.7¼ 91	100	†89⅞	90⅜	0	−0⅝	10.27
Swed Exp Cred 10 92	100	97⅞	98⅛	0	−1⅜	10.57
Sweden 7 91	250	†88⅞	89⅜	−0⅜	−1½	10.53
Sweden 7 92	250	87⅞	88⅜	−0¼	−1⅛	10.58
Sweden 8¼ 96	200	†86⅝	87⅛	0	−2¼	11.21
Sweden 8½ 92	200	†91⅞	92⅜	−1¼	−1⅜	10.65
Taiyo Finance 7⅞ 94	100	83⅛	83⅝	−0¼	1⅜	11.57
Toyota Motor Cred 8 89	100	†96¼	97¼	−0¼	0	9.96
Toyota Mtr.Cred.7¼ 92	150	87¼	87¾	−0⅛	−1½	10.91
Victorian Rep 11⅝ 92	150	†96¼	97¼	−5⅛	−6⅞	12.48
World Bank 7 92	300	†87⅞	88¼	−0¼	−1	10.61
World Bank 9 97	300	86¼	87¼	+0⅛	−2¼	11.24
Yasuda Trust Fin 8½ 93	100	88⅞	89⅜	0	−1¼	11.16

Average price change... On day −0½ on week −1⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	95	95½	0	−0½	6.71
Avis Fin.SVS 5⅞ 92	100	†98	98½	0	−0½	6.33
Bank of Greece 6½ 95	150	94⅞	95⅜	−0¼	0	7.32
Bank of Tokyo 5¾ 93	100	†98½	99	−0¼	−1	6.02
BMW 5¾ 96	200	87¼	87⅞	−0½	−0½	7.26
Degussa Int. 6 1/8% 97	200	91¼	91⅞	−0⅝	−1	7.37
E.I.B 5½ 98	150	86¾	87¼	−0½	0	7.34
E.I.B 6 97	300	93	93¼	−0¼	+0⅛	6.99
E.I.B. 6⅛ 96	300	92⅝	93⅛	−0¼	−0⅝	7.23
E.I.B. 6⅛ 97	400	92½	93¼	−0¼	+0⅝	7.18
E.I.B. 6⅞ 95	300	99⅝	100	−0⅜	+0⅛	6.93
Euro.Coal& Steel 5⅞ 97	175	91	91¼	−0⅜	−0¼	7.17
Eurofima 6⅛ 96	100	95⅜	96⅛	−0½	+0¼	6.91
Elec De France 5¾ 97	300	89	89⅜	−0⅝	+0¼	7.31
Hoesch Int'l Fin.7 95	100	100	100⅜	0	−0⅝	6.93
I.A.D.B. 6 97	200	91⅛	91⅞	−0⅝	0	7.25
IBJ 5⅝ 96	200	88⅞	89⅜	−0⅛	−0⅝	7.36
Japan Finance 5⅞ 97	100	89½	90¼	−0¼	−0¼	7.27
Ireland 6½ 97	300	†94½	95	−0¼	−0½	7.27
Korea Dev BK 6⅛ 93	100	98⅝	99⅛	0	0	6.83
Malaysia 6 −¼ 94	150	95¾	96¼	+0¼	0	7.01
Mitsubishi Met 3⅛ 89XW	100	95	95¾	−0⅜	−0⅝	5.43
Portugal 5⅞ 92	150	†97¼	98¼	−0⅜	−0⅞	6.30
Portugal 6⅝ 95	150	†97¾	98¼	−0¼	+0¼	6.92
Royal Insurance 5½ 92	300	†99⅛	99⅝	+0⅛	−0¼	5.62
Statoil 6¼ 97	200	†91½	92	+0⅛	−0¼	7.49
Soc Cent Nuclear 7¼ 95	150	100⅝	101⅜	−1	−1¼	7.07
Societe Cent Nuclear 8 91	100	104⅜	105⅛	0	0	6.50
Stweag 5½ 96	100	91⅞	92⅜	−1½	−2⅛	6.75
Tokyo Elec. Power 6 97	300	†89⅞	90⅛	−1	−1	7.52
World BK. 6¼ 97	600	93½	93⅞	0	−0⅛	7.46

Average price change... On day −0¼ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅝ 96	100	*†99⅞	99⅞	0	−0⅛	5.64
AMR Corpn. 5¾ 01	200	*†88	88	0	−0⅛	6.61
Asfinag 5 02	150	*†93⅜	93⅜	0	−0⅞	5.67
Bayer W/W 2½ 02	250	*†111¼	111¼	0	−1¼	1.65
BBL W/W 2¾ 97	100	*†98½	98½	0	−1¼	2.93
Elec.De.France 5 07	100	*†97¼	97¼	0	+0⅛	5.18
E.I.B. 4¾ 97	200	*†93⅞	93⅞	0	−1⅜	5.58
E.I.B 4⅜ 97	200	*†92⅝	92⅝	0	−1⅜	5.65
Enso Gutzeit 5 99	100	*†96⅞	96⅞	0	−1⅝	5.36
Ireland 5 02	150	*†92¼	92¼	0	−0⅞	5.78
Newfoundland 5⅛ 02	150	*†99⅝	99⅝	0	+0⅛	5.15
Polly Peck 6 92	75	*†102½	102½	0	−0½	5.33
Prov.of Manitoba 4⅝ 02	200	*†94⅝	94⅝	0	−0⅝	5.47
Prov. of Quebec 5 03	200	*†95⅞	95⅞	0	+0⅝	5.39
Qantas Airways 4¼ 97	110	*†91⅞	91⅞	0	−0⅝	5.86
SHV Holdings 4⅞ 94	100	*†98½	98½	0	−0⅝	5.01
Tiroler 4¾ 97	100	*†95⅜	95⅜	0	−1⅝	5.37
TNT 5 95	100	*†99½	99½	0	0	5.08
Woolwich B/S 4½ 92	120	*†94¼	94¼	0	−1⅞	5.76
World Bank 5 02	200	*†91⅞	91⅞	0	−0⅝	5.89

Average price change... On day 0 on week −0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	89⅞	90⅛	−0¼	−0½	6.50
E.I.B 4⅝ 94	40	89⅞	90¼	−0½	−0⅞	6.52
Elec. De France 5⅛ 94	20	92⅞	93⅜	−0¼	−0⅞	6.45
Kansai Electric 4⅝ 94	60	88⅞	90	−1½	−1⅞	6.65
Norway 4¾ 92	60	92⅛	92⅝	−0⅜	−0½	6.23
S.N.C.F. 4⅞ 93	20	93⅛	93⅝	−0½	−0⅝	6.32
Sweden 5⅛ 95	20	94⅞	95⅜	−0⅝	−0⅝	6.43

Average price change... On day −0⅝ on week −0⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux14½ 90A$	50	99½	100¼	−1⅜	−2⅝	14.20
American Brand 9½ 94 £	50	91⅛	91⅝	−1½	−2⅝	11.44
American Express OC.10 94	40	94⅛	94⅜	−2¼	−2¼	11.21
Bergen Bank 15 90 A$	50	†97⅞	98⅜	−2	−3½	15.75
BP Capital 13¾ 92 A$	75	†100⅞	101⅜	−1	−2⅛	13.41
Chrysler Crp 10 91 C$	75	†96½	97	+0⅛	−0⅝	10.37
C.O.E. 8⅞ 95 LF	600	103⅞	104⅜	0	−0½	8.13
Creditanstalt 14⅛ 90	60	99⅞	100⅝	−2¼	−2⅝	14.03
Denmark 7¼ 92 ECU	100	97¼	97¾	−0¼	−0¼	8.45
DG Fin. Co. 13¾ 90 A$	50	100	100⅝	−1⅜	−2½	13.66
DG Fin. Co. 14 90 A$	75	100⅛	100⅝	−2¼	−2⅝	13.72
DG Finance 14½ 92 A$	50	102⅝	103	−2	−3⅝	13.49
Deutsche Bank 9⅞ 97 £	75	92	92½	−1⅜	−2⅝	11.22
Deutsche Bk.14¼ 92 A$	100	101⅛	101⅝	−1⅜	−4¼	13.74
Dresdner fin.13⅞ 91 A$	100	†99¼	99¾	−1	−3¼	13.98
E.I.B 7⅞ 91 ECU	100	95⅜	95¾	−0½	−1¼	8.70
E.I.B 8⅝ 93 LF	1000	†102½	103½	0	−0½	7.89
Euratom 7⅞ 97 ECU	145	†85¾	86¼	−0¼	−1½	9.68
Finland 6 91 FL	100	97¼	97⅞	−0¼	−1¼	6.71
Ford.Mtr.Cred.13¾ 91A$	75	†99⅝	100⅛	−0⅞	−2	13.77
G.M.A.C. 9 92 £	50	93⅛	93½	−1⅜	−2	10.90
G.M.A.C. 9¼ 92 C$	75	†94½	95	−0¼	−1¼	10.73
G.M.A.C Aus.Fin.14 90 A$	50	98⅞	99⅛	−2½	−2⅛	14.38
Halifax BS 10⅝ 97 £	100	94⅛	95⅛	−0⅞	−0⅝	11.26
Helaba Fin. 13⅞ 96 A$	75	100⅛	100½	−2½	−2⅝	13.29
Imp Chem Inds 10 03 £	100	89⅞	90⅜	−2⅝	−2⅛	11.36
Inv.In Ind.Intl 10 93 £	60	94	94⅝	−1½	−2⅞	11.47
Land Securities 9½ 07£	200	†78	78½	−2	−3½	12.50
Leeds B.S 10½ 92 £	50	†96½	97	−0¼	−1⅞	11.65
Mort.Bk.Denmark 6 91 FL	150	97½	98⅛	+0¼	−0⅛	6.63
Nat.Australia 14 92 A$	50	98⅞	99⅝	−1⅜	−2⅛	0.33
Nationwide BS 10⅛ 93 £	75	93¾	94⅝	−1⅜	−2⅝	11.63
New Zealand 7⅞ 93 ECU	200	91⅜	91⅞	−0½	−1⅝	9.81
Oesters.Ktbk.13⅝ 94 A$	75	†100¼	100⅞	−0⅞	−1¼	13.48
Prudential Fin.9⅞ 07 £	150	†81½	82	−2	−4	11.78
Royal Ins 10⅛ 92 £	60	†99½	100	−0⅝	−1⅝	10.80
Royal Trustco 10⅛ 98C$	75	†97⅞	98⅜	−0⅛	−0⅝	11.09
Sainsbury,J 10⅞ 93 £	60	†99⅞	100⅜	+0¼	0	10.82
S.D.R. 7⅞ 95 ECU	90	90⅞	91¼	−0¼	−1⅛	9.48
Tsthouse Forte 11⅛ 90£	50	†99	99½	−2½	−2⅝	11.42
Thyssen 7⅞ 90 FL	50	101	101⅝	−0⅛	−0½	6.75
Wessanen 6⅛ 90 FL	50	100⅞	101½	+0⅛	−0⅛	6.32
World Bank 11¼ 95 £	100	100	100⅝	−1⅜	−2⅝	11.17
World Bank 13¾ 92 A$	100	†99⅞	99⅞	−1	−2¼	13.44

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	99.93	100.03	11/06	6.14
Alliance & Leic.Bld 94 £	.08	98.66	98.86	20/04	9.89
Belgium 91	0	99.50	99.61	19/02	6.69
Britannia 5 93 £	0⅛	99.50	99.55	8/04	10.06
Chase Manhattan Corp 91	0¼	98.78	99.03	20/08	6.56
Citicorp 98	†0⅛	97.90	98.15	27/02	6.63
Credit Lyonnais 5 00	†0¼	98.20	98.30	13/07	6.19
EEC 3 92 DM	†0	99.62	99.67	20/02	4.19
Halifax BS £ 94	.1	99.28	99.33	6/05	8.97
Midland Bank 01 £	.1	96.88	97.00	9/05	8.91
Milk Mkt.Brd. 5 93£	0⅛	99.41	99.46	30/03	10
New Zealand 5 97 £	.07	99.37	99.47	16/05	11
New Zealand 5 01	0	98.79	98.89	4/08	6.31
Shearson Lehman Hldr 91	†0⅛	99.40	99.65	6/05	7⅛
United Kingdom 5 92	0	99.97	100.03	7/04	6.31
Woodside Fin. 5¼ 97	0	99.47	99.56	28/04	7.06
Woolwich 5 95 £	0⅛	99.34	99.40	19/05	10.62

Average price change... On day −0.05 on week −0.23

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	109	110	−2	20.69
Alco Health 6¼ 01	7/86	26.25	84⅞	85¾	−1¼	32.57
American Brands 7⅞ 02	9/87	56.7	103½	104½	−7⅞	10.22
American Can Co. 5½ 02	4/87	66.75	86⅞	87⅞	−1⅛	26.57
Ashikaga Bank 2⅞ 02	4/87	996	108	109	−4½	−2.56
Asics 5 92 DM	12/83	472	151¼	152⅞	−6	1.85
CBS. Inc. 5 02	4/87	200	102	105	−8⅛	3.14
Chiba Bank 2⅞ 02	1/87	830	179	181	−6	2.99
Fuji Hvy Inds 3 00	8/85	676	147⅞	149⅜	−13⅛	−9.90
Fujitsu 3 99	5/84	1109	189⅞	191½	−22½	−11.46
Gamma Bank 2⅞ 02	4/87	808	131⅛	132⅞	−11⅛	−2.71
MCA INC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Next PLC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon E	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Old Elec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Omron Ta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yokohama	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W.R. Grace	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: [illegible]

Floating Rate Notes: [illegible]

Convertible Bonds: [illegible]

Borregaard ahead at 8 months

By Karen Fossli in Oslo

ORKLA BORREGAARD, the Norwegian industrial and investment group, posted eight-month profits of NKr287m ($43.5m) compared with NKr232m in the same period of 1986. Earnings per share before tax reached NKr51 compared with NKr41.

The company said the positive development of results from the first four months of this year was further strengthened in the second four-month period. Industrial activities, within which the Denofa-Lilleborg and Borregaard Industries are showing the greatest progress, have improved by 73 per cent over 1986, with profits reaching NKr286m.

Group profits from investment activities, however, slipped to NKr161m from NKr167m, while the securities portfolio has increased by NKr525m since the beginning of 1987. Property holdings, in which NKr50m has been realised, have also increased. Financial items improved by more than NKr30m, due mainly to "advantageous currency loans."

Restructuring in the group continues and several transfers and terminations have been completed, says the group.

Orkla Borregaard expects "clear improvements" for the year over 1986 in the group's industrial activities.

Promet back in the black

By Wong Sulong in Kuala Lumpur

PROMET, the Malaysia-Singapore oil rig and construction goup, reported an operating profit of 11.1m ringgit (US$4.4m) for 1986 compared with a loss of 28m ringgit. But it continued to make heavy write-offs for oil exploration ventures and property projects, so profit after tax and extraordinary items was 1.4m ringgit compared with a loss of 114m ringgit.

The group said it was back "on an even keel" and, with the recent agreement on the restructuring of its debts, expects 1988 to be a better year.

Under the restructuring deal reached with 13 of the 15 creditor banks, the group's 284m ringgit of unsecured loans will be divided into two tranches.

The first tranche of 158m ringgit will be spread over six years, and carry an interest rate of one percentage point above Singapore interbank offered rate. The second will be interest-free for six years, but creditor banks will have the option to convert the loans to shares at par value from the family of Datuk Brian Chang, Promet's chief executive and largest shareholder.

Elders builds Greene King stake

BY LISA WOOD

ELDERS IXL, the Australian-based brewing, financial services and pastoral group which owns Courage, the large British brewer, has a stake of just under 5 per cent in Greene King, the East Anglian brewer, it was disclosed yesterday.

Greene King claimed that Elders had taken the stake to strengthen its hand in attempting to persuade Greene King to sell Elders' Fosters lager. This brand is sold in the UK in Courage public houses as well as those of Watney Mann & Truman.

However, City analysts would not rule out the possibility that the share build-up was the prelude to a full bid by Elders for Greene King, brewer of Abbot Ale and distributor of Harp lager.

Greene King, which has 770 public houses in East Anglia, an area of rapid economic growth, is some 25 per cent family-owned with a further 15 per cent in the hands of three "friendly" holders. In the year to May 3 it made pre-tax profits of £12.51m, an improvement of 11 per cent on the figures of the previous year.

Greene King said yesterday that it had recently discovered that Courlim Properties, a subsidiary of Courage, had built up the holding through a number of nominee accounts.

When the shareholding came to light Greene King was propositioned by Elders that it should enter into trading agreements to distribute Elders' products, particularly Fosters lager.

Greene King said:" The representatives of Elders said they had acquired the shareholding to strengthen their position in discussions on such a trading relationship."

Greene King, which has a 25 per cent stake in Harp lager, rejected the proposal. Mr Simon Redman, managing director, said that his company had a distribution agreement with Harp until 1994. In addition, Fosters lager was sold in East Anglia by Watney, one of Greene King's major competitors in the region.

Mr Redman described Elders as "very unsubtle" in its method of approach. He said he knew nothing of Elders' further intentions towards Greene King.

"It is most unlikely," he said,"that it could make a direct bid without being referred to the Monopolies and Mergers Commission ".

Two years ago, in its investigation of the then Scottish & Newcastle bid for Matthew Brown, the Blackburn-based brewer, the MMC said there could be a strong case on public interest grounds against any of the five major tied estate brewers acquiring a regional brewer.

Elders IXL said yesterday:" We have no comment to make yet."

Barry Wehmiller doubled at £3.67m

Barry Wehmiller International, the packaging equipment maker which came to the market in June through a heavily oversubscribed offer for sale, yesterday turned in 1986-87 pre-tax profits more than doubled at £3.67m.

This was slightly better than the £3.5m forecast in the prospectus and compares with £1.7m in the previous year. Turnover for the period ended July 31 rose from £21.83m to £27.4m.

Last year's pre-tax profit was struck after a non-recurring management charge of £473,000.

Tax took £425,000 (nil) and stated earnings per 5p share were 15.7p (8.4p) based on the actual tax charge and 11.6p (5.5p) after a notional 35 per cent charge.

As forecast, the final dividend is 2p - had the shares been listed during the whole financial year, the board would have expected to recommend a total of 4p.

During the year, the rationalisation of earlier acquisitions and the restructuring of the group into three autonomous trading divisions was completed and all three improved performance in the period.

Overall, the current year had started well and the board was confident of further growth through pursuing its strategyof organic development and a focussed acquisition programme.

The vision systems division was well placed to participatein the anticipated growth in the use of vision systems in the packaging industry.

The closure systems division would continue to expand its markets and widen applications of its products, while the bottling machinery side would also seek to penetrate new markets for its product range.

The board said the pursuit of appropriate acquisitions would continue to be an integral part of growth strategy. The company's status as a listed company was expected to enhance its ability to make further acquisitions.

Since the end of its financial year, the group had completed the acquisition of UD Engineering, a maker of dairy packaging machinery. The board said its products and international markets would significantly strengthen the bottling machinery division's existing dairy activity overseas.

Trafalgar House $20m US expansion

BY DINA MEDLAND

Trafalgar House, the shipping, property and building combine, has bought Capital Homes, a builder of single-family homes in the Washington, DC area in the US, for $20m(£12m) in cash,the company announced yesterday.

Capital Homes will become a subsidiary of Trafalgar House Residential, the US affiliate based in New Jersey set up by Trafalgar House last year.

Capital Homes made pre-tax profits of $3.7m on turnover of $58m, from the sale of 421 homes in the year-ended February 28. In the current year it expects to sell 500 homes.Intially aimed at the first-time buyer, its property has moved into the $350,000-$400,000 range occupied by Trafalgar's existing US operation.

The company is also active as a land developer both for its own use and for sale to other builders.

"Capital Homes fits perfectly with our expansion plans in the north American housing market" said Mr Eric Parker, chief executive. The group intends initially to concentrate its house-building efforts on the north-eastern seaboard of the US, and to emulate the regionalised structure used by its successful Ideal Homes business in the UK.

Trafalgar House is now looking for a third business on the east coast of the US, probably between New York and Boston, to complete the current phase of acquisition within the next 12 months, the company said.

No companies had been specifically targeted, said Mr Eric Parker and expansion could be through a start-up business like the New Jersey office. Trafalgar House aims to be building 1,000-1,200 homes a year in the US.

Trafalgar House reported a 25 per cent fall in interim pre-tax profits from £72.7m to £54.1m on turnover up 5 per cent to £1.03bn (£976m) in the six months to March 31, but said that prospects were improving in all its operations.

There was an increased contribution from property, partly as a result of the acquisition of Broseley, a housebuilder.

Inchcape gets £22m for City HQ

Inchcape, the international services and marketing group, is to dispose of its City of London headquarters, a grand quasi-colonial building at 40 St Mary Axe. It will receive £22m in cash, substantially above the building's book value of £6.8m.

The building is being sold to a joint venture between Trafalgar House and ARC Properties, a subsidiary of Consolidated Goldfields, which intends to refurbish the offices when Inchcape moves to new premises in King Street, St James.

Aitken Hume rises 45% to £3.9m

BOOSTED by a turnround in its UK funds management, Aitken Hume International, financial services group, reported interim pre-tax profits up by 45 per cent from £2.69m to £3.91m.

And Mr Jonathan Aitken, chairman, said that though the US mutual fund market remained difficult, the progress being made in UK funds management gave him confidence for a good second half, in the absence of exceptionally difficult market conditions.

Gross revenue for the six months to September 30, 1987 was up at £19.2m (£14.8m). Operating profits breakdown showed that UK funds management made £2.01m, against a loss last time of £93,000, with £2.23m (£3.01m) for National Securities and Research in the US.

Earnings per share came out at 6.79p (3.37p) and an interim dividend is being paid this time of 1.5p.

The US mutual fund industry had a difficult six months. Funds under management at the end of the period were $3.2bn against $3.29bn six month earlier.

The company also announced that it had reached a settlement of actions brought against it by Mr Michael Scorey, former finance director, for breach of contract and defamation arising from documents issued at the time of the bid for Aitken by Tranwood Group.

• comment

Aitken Hume shares yesterday were unmoved by what was a strong first-half performance, dropping 22p to 135p mainly before the announcement of results. Uncertainty in markets on both sides of the Atlantic casts a question mark over the company's ability to maintain strong performance. The US mutual fund market will continue to dent the final results, and the £2bn pre-tax profits from UK funds management in the first half would be very hard to maintain even if equity markets stand still, since much of the profit came from boxed profits - holding its own shares between liquidation orders and new sales. Yesterday's plunge in the market appears to have scotched an acquisition in Guernsey, and the over-reliance on US profits, which hurts the UK tax position, has eased but is still largely unresolved. Full-year profits of £7.9m would put the shares on a prospective p/e of about 10, a price that factors in questions about the future as well as recent management upheavals at the company.

Acquisitions help raise Wolseley profits to £75m

BY FIONA THOMPSON

Wolseley, the central heating and plumbing distribution group, yesterday reported pre-tax profits up almost 50 per cent at £75.23m for the year to July 31, 1987, compared with £50.25m last year.

Mr Jeremy Lancaster, chairman, said the group benefited from full year contributions from Carolina Builders, the US timber wholesaler bought in January 1986, and the former Grovewood companies purchased in March that year.

"Forty per cent of our operating profits has come from acquisitions," said Mr Lancaster. "Additionally, we benefited from strong organic growth from the further development of existing businesses."

Wolseley now has 305 branches in the UK. Plumb Centre, with 196 outlets and many more planned, increased sales by 13.8 per cent and trading profit by 33.7 per cent. Harris and Ray, the "heavyside builders' centres" which sells sand, cement, bricks and blocks from 42 branches in the south east of England, is well placed for future expansion, said Mr Lancaster.

The group is also keen to expand Plant & Tools, its heavy plant hire company, and has acquired a large site in Ashford, Kent, which should benefit from Channel Tunnel activity.

The electrical division contributed almost 10 per cent to group trading profits, and launched a number of new products in its Klik connector range for fixing wall and ceiling lights. The engineering and plastics division contributed nearly 8 per cent to profits and looks set for further expansion.

In the US, Ferguson Enterprises, with a chain of 122 outlets on the east coast distributing plumbing materials, increased its dollar sales by 15 per cent, with dollar trading profit up by 8 per cent. Carolina Builders, which disappointed at the interim stage due to an oversupply of homes, improved in the second half.

Group trading profits were £76.85m (£53.62m) on turnover of £976.98m (£739.08m). The UK distribution profits totalled £33.01m, compared with £23.16m last year, and US distribution profits were £20.68m against £19.66m.

The interest charge was £1.62m (£3.37m). After deducting tax, both overseas and corporation tax, of £28.12m (£18.65m), and minority interests of £552,000 (£335,000), earnings per share were 49.2p, compared with 41.39p.

A final dividend of 10p (8p) makes 14p for the year, against 11.5p. A scrip issue on a one-for-one basis is also proposed.

• comment

Yesterday's figures came as no surprise as the company forecast £75m at the time of the Familian acquisition in September. The UK side of the business made most of the running, with a very strong market. In the US, Ferguson suffered from bad debts as suppliers in Denver and Dallas went bankrupt, and sterling strengthening against the dollar knocked some £750,000 off profits. However Familian, one of the biggest plumbing merchants in the US, will both contribute about £8.5m profits this year and enable Wolseley to claim the title of largest plumbing supplies company in the world. The shares closed 35p down yesterday at 633p. Assuming pre-tax profits for this year of about £98m, that puts them on a prospective p/e of just under 11, good value.

Henry Barrett up 41.5%

Henry Barrett Group, the steel buildings, steel services and mechanical engineering company, yesterday reported record pre-tax profits up by 41.5% from £1.36m to £1.93m for the year to August 31 1987. This comfortably beats the forecast of £1.75m made at the time of its full listing in May.

Mr Guy Barrett, the chairman, said the group continued to trade strongly and so far this year all three divisions were performing ahead of budget.

Turnover in 1986/87 rose by 24.8 per cent from £23.45m to £29.28m, but the cost of sales was higher at £22.77m against £18.74m, leaving gross profits up from £4.71m to £6.51m.

As indicated in the placing document, the board is proposing a final dividend of 0.7p net, making the total 0.825p. Stated earnings per 10p share were 8.47p (5.99p), an increase of 41.4 per cent.

Mr Barrett said steel buildings achieved the planned record levels of output and profit. Following its acquisition Johnson Industrial Buildings (Leicester) was merged with Potters Constructional Engineers to form Potter Johnson Steel Buildings. The current year had started well for this division with a substantial order book and better than budgeted margins.

Profit from steel services increased substantially during the year and included the first full year's profits from A H Allen Steel Services. There were further increases in volume due to the division's excellent delivery servic and broad range of stock.

Further strategically located acquisitions can be expected in 1988, Mr Barrett said.

Lindapter International had seen further increases in both turnover and profit during the year. The company was currently negotiating distributorships in the US, Canada and Portugal.

Mr Barrett said the board was determined to achieve continued improvements in profits and in earnings per share by developing existing businesses through selective investmnent, operating efficiencies and by acquisition.

The group started the current year with a strong balance sheet and modest gearing. Management information for the first weeks of the financial year indicated a better than budgeted performance.

Benson SBG reorganisation

BY CLAY HARRIS

Benson SBG, formerly Sheffield Brick, is planning a capital reorganisation to end confusion between its two classes of ordinary shares.

The company's original 25p shares, representing less than 10 per cent of the total outstanding, will be converted to 10p shares identical to those issued at par last December when the private Benson Group, manufacturer of industrial space heaters and tow bars, mounted a rescue through a reverse takeover.

The shares differ only in their rights in the case of a winding-up. Since this is considered only a remote possibility, holders of 25p shares will receive only a token compensatory one-for-100 scrip issue.

The cancellation of the excess paid-up share capital will create a non-distributable reserve of about £295,000. Both classes of shares were quoted yesterday at 80p, giving the company a market capitalisation of £16.2m.

Pearson share stake raised to 9.8%

MR MICHEL DAVID-WEILL, senior partner of Lazard Freres, the investment bank, has bought a further 200,000 shares in Pearson, the information, banking and industrial group, lifing his holding to 9.8 per cent. Mr David-Weill is also a non-executive director of Pearson, which owns the Financial Times.

His move follows the acquisition of a 14-15 per cent stake in the company by Mr Rupert Murdoch's News International group, prompting renewed speculation that Pearson could face a takeover bid.

Mr David-Weill built up a 9.9 per cent stake in Pearson over a number of months when bid speculation first began to swirl around the group. However, the recent issuing of shares by Pearson had slightly diluted his holding in percentage terms.

Kalamazoo sale

Kalamazoo, Birmingham-based business systems company, has sold its manual systems business in Northern Ireland and its Irish printing subsidiary David Millard to the Aluset printing group.

In return, Kalamazoo has obtained board representation and a 22 per cent holding in the enlarged Aluset.

Scanro's sharp setback but Wickens confident

BY RICHARD TOMKINS

Scanro, the USM-quoted windsurf board maker which recently yielded control to Mr David Wickins, chairman of British Car Auctions, yesterday said it expected to make its first acquisition before the year end.

Under the new management the group's avowed strategy is to acquire companies with a strong asset base and a potential for substantial income flows. Mr Wickins, who has taken over as chairman, said he was confident that the group would develop into a significant and successful organisation.

The company also reported a sharp downturn in profits for the six months to June - the month before Mr Wickins's intervention - and passed the interim dividend.

Turnover rose from £2.2m to £3.8m but trading profit was down from £332,000 to £282,000. After interest payable and a £123,000 write-off of goodwill, pre-tax profits were down from £275,000 to £89,000.

Earnings per share fell from 4.31p to 2p and there was an extraordinary debit of £583,000 (debit £43,000).

Mr Wickins said trading was below expectations and the second half was not expected to show a marked improvement, but the board did not expect to make any further extraordianry provisions.

Scanro came to the USM in August 1984. At first it made good progresss but dumping in its key markets by bankrupt European windsurf board manufacturers helped send profits reeling from £550,000 to £276,000 in the year to last December.

Christy Hunt at £0.26m

Christy Hunt, manufacturer of machines and machine systems and enlarged by a number of acquisitions over the past 12 months, swung from losses of £13,000 to profits of £258,000 pre-tax for the year to end-June, 1987.

The figures were in line with the forecast given last month in connection with the agreed takeover of Deritend Stamping. As promised shareholders will receive a dividend of 0.55p, their first since 1979.

Turnover for the past year was little changed at £7.1m (£7.2m). Earnings per 25p share emerged at 3p (losses 0.8p).

Australians sells stake in New Cavendish

By Clay Harris

Australia's Unity Corporation yesterday continued the simplification of its UK activities by selling its majority stake in New Cavendish Estates, the property investment group, for £12.8m to an associate of Noro, the private Dutch investment house.

Collins Services, owned by two Unity subsidiaries, sold its 52.37 per cent stake for 175p compared with the 100p it paid in July 1986.

Noro-Buckfield, based in the Netherlands Antilles, will make a general offer to all shareholders at 175p, which compares with yesterday's market price of 228p, 5p below the price at which the shares were suspended last Thursday. It will place any shares accepted under the offer.

Mr John Everitt will remain as managing director of New Cavendish, which reported pre-tax profits of £295,420 in the year to June 30.

The disposal leaves Industrial Finance and Investment Corporation, the financial services group, as Unity's only quoted UK vehicle. In August, Unity's ATS Resources sold its majority stake in Unitycorp Trust, the former Wemyss Investment Trust.

FIH rises by £1m to over £5m

Ferguson Industrial Holdings, a specialised group of companies concentrating on printing, packaging, plastics and publishing, pushed up pre-tax profits by just over £1m to £5.06m, in the half year ended August 31.

Turnover in the period rose from £45.28m to £64.25m and the trading profit was up £2m to £5.94m. The share of profit of related companies was £68,000 (£18,000), investment income £24,000 (£110,000) and profit on sale of investments £107,000 (£394,000).

Employees' profit sharing scheme took £405,000 (£416,000) and there was interest payable of £675,000 (nil); tax charged was £1.9m (£1.44m) and minorities were £93,000 (nil). Earnings per share worked through at 9.8p (9.5p). The interim dividend is 3.4p (3.1p).

A breakdown of trading profits showed the printing division was the best performer with an improvement from £1.13m to £2.1m; packaging was £2.86m against £2.44m, plastics £620,000 (£354,000) and publishing brought in £182,000 (nil). Other activities amounted to £170,000 (£118,000) and there was nothing from the discontinued construction activities (£138,000 loss).

Further acquisitions are promised in Ferguson's core activities, increased capital expenditure in its most profitable companies and growth in the US and Europe.

William Sinclair grows 64%

MR TOM SINCLAIR, chairman of William Sinclair Holdings, said that the concentration of the group's activities in the garden leisure and horticultural markets had proved most successful.

The USM-quoted plant breeder and seed specialist reported pre-tax profits up 64 per cent from £1.15m to £1.89m for the year to the end of June 1987. The figure was boosted by a turnround from interest charges of £194,000 to interest received of £351,000.

Turnover fell from £24.19m to £15.72m resulting from the sale of its agricultural seeds division to ICI in June last year. The chairman said that the equivalant turnover figure was £11.14m with a further £997,000 from new acquisitions.

Earnings per share came out at 20.4p (11.9p) and the directors are recommending an increased final dividend of 5p (3.75p adjusted) for a total for the year of 6.8p (5.125p). A scrip issue of one-for-five is again being proposed.

Edinburgh Inv assets rise 14.2%

Edinburgh Investment Trust, Scotland's largest investment trust, managed by Dunedin Fund Managers, raised net asset value by 14.2 per cent to 261.6p in the six months to September 30 1987. The increase from the end of September, 1986 was 34.6 per cent.

The interim dividend is increased from 1.48p to 1.65p and a total not less than 4.15p (3.75p) is forecast.

Gross income for the half year was lower at £12.75m (£13.42m), but the board said this should not be taken as anindication for the year as a whole.

After tax of £2.38m (£2.77m) available net revenue was down from £6.38m to £5.53m, giving earnings per share 0.3p lower at 1.93p.

Total assets jumped from £703.4m at end March to £815.4m at September 30.

UK COMPANY NEWS

Matthew Brown hits back at S&N

BY LISA WOOD

Matthew Brown, the Blackburn-based brewer, yesterday published its first defence document against its latest hostile bid from Scottish & Newcastle Breweries.

Scottish & Newcastle, Britain's sixth biggest brewer, earlier this month launched its third attempt in two-and-a half years to acquire Matthew Brown, the brewer of Slalom lager and Theakston bitter.

S & N, which already holds a 29.7 per cent stake in Matthew Brown, is offering three of its shares for each Matthew Brown share with a cash alternative of 750p per share.

Mr Patrick Townsend, chairman of Matthew Brown, yesterday described the bid as commercially illogical from a brewer he described as the "weakest national brewer."

The defence document concentrates on the commercial aspects of the bid and makes no mention of the value of the offer. Neither does it give an estimate for the financial year ended September 30 or a forecast for 1987-8. These, said Matthew Brown, would be sent to shareholders soon.

Matthew Brown - in the document - questions for example S & N's claim to be the acknowledged leader in the take-home trade, an area where it had criticised Matthew Brown.

Matthew Brown said: "In the last year, both Bass (13.1 per cent) and Whitbread (13 per cent) have overtaken S & N (12.3 per cent) in terms of their share of the take-home market."

The Blackburn-based brewer also attacked S & N's track record in developing brands, an area where it had claimed it could assist Matthew Brown, if successful in its bid.

On the Theakston brand, which S & N said it could develop nationally, Matthew Brown said S & N's arguments showed it had either no understanding of Matthew Brown strategy or else it was trying to convince shareholders that it, S & N, had invented Matthew Brown's long-term strategy.

Mr Alick Rankin, chief executive of S & N, described the document as verbose and argumentative. But he said it did not get at key issues including a profit forecast for this year.

He added:" Nowhere does this document refute the value of the bid."

Faber puts Grenfell share stake up for sale

BY DAVID WALLER

Willis Faber, the insurance group, yesterday hung the for sale sign on its 20.8 per cent stake in Morgan Grenfell, the merchant bank.

It said that it would sell the stake - worth £168m prior to yesterday's market crash - if it received a high enough offer.

The willingness to sell is a response to Morgan Grenfell's expansionary strategy under Mr John Craven, the bank's recently appointed chairman.

Willis is believed to be reluctant to invest further in Morgan after buying another insurance broker, Stewart Wrightson, for £254m in June, and is concerned about dilution of its holding should Morgan start making acquisitions involving the issue of new equity.

Mr John Craven yesterday scoffed at the thought of issuing any new shares in present market conditions, but confirmed that he intended to expand the bank's security distribution side. This had led to an approach to TSB with a view to buying Wood Mackenzie, the stockbroking arm of Hill Samuel.

Mr David Palmer, Willis' chairman and chief executive, said the investment in Morgan had been a conspicuous success, but expressed worries that the holding would fall to the point where it would not be able to consolidate its share of Morgan's profits. These accounted for nearly a quarter of Willis' pre-tax profits of £74.8m last year.

Famous Grouse up £1.7m as overall sales expand

INCREASED SALES of The Famous Grouse, both in home and export markets, enabled the Highland Distilleries Company, distiller of Scotch whisky, to lift its profits from £10.32m to £12.05m pre-tax over the year to end-August 1987.

During the period sales of the group's other brands, Highland Park, Bunnahabhain and Ramdhu, increased by 17 per cent.

Mr John Macphail, the chairman, said prospects were more difficult than usual to gauge because many companies worldwide were considering their positions as a result of the various mega bids that had taken place in industry in recent times with a consequent reappraisal of marketing policies.

He added, however, that the period of change was giving rise to opportunities and that the group was keeping the situation under constant review.

For the past year turnover pushed ahead from £108m to £112.46m and after cost of sales of £101.12m (£97.95m), depreciation of £1.03m (£962,000), distribution expenses of £1.06m (£1.03m) and administration outgoings of £573,000 (£492,000) operating profits showed an improvement of £1.18m at £9.71m.

Pre-tax profits were struck after investment income of £1.21m (£1.1m) and net interest income of £1.13m (£688,000).

Earnings per 20p share worked through 1.2p ahead at 6.4p after tax of £4.19m (£3.93m) and a final dividend of 1.77p (1.562p) raises the total from 2.178p to 2.45p.

Mr Macphail said that in both the home and export markets The Famous Grouse brand was being strongly supported by advertising and related activities to ensure long-term development of the brand.

•comment

Highland Distilleries shares held up quite well - off 3p to 92p - in yesterday's disastrous market, and confidence in the company appears well-deserved in view of the strong results announced. Highland Distilleries is a conservative company, and its strategy of positioning its whisky brands, particularly Famous Grouse, as premium products takes many years to bear fruit. It's market share in the UK is gradually improving, and promotion campaigns targeted at Europe and duty-free shops should continue to boost profits. Pre-tax profits of £13.5m for the current year would put the shares on a prospective p/e of 13. The shares may be unattractive to a short-term trader, but appear a relatively safe performer.

Charterhall oil and gas expansion

BY LUCY KELLAWAY

Charterhall, the investment company run by Mr Russell Goward, the Australian entrepreneur, yesterday announced plans to expand its oil and gas activities with four North American oil acquisitions worth $5m.

Mr Keith Holder, managing director of the company's oil and gas division, said that it would make a profit this year after a loss in 1986 of £803,000, but that the main benefits of the acquisitions would not be felt until 1988.

The deals, which will double the company's US reserves, were made at an average price of $3.20 per barrel of oil. They consist of a 29 per cent stake in the Main Pass 41 field and a 10 per cent interest in the Breton Sound field offshore Louisiana, the oil and gas assets of Century Oil and Gas, a bankrupt US company, and interests in the Parkman oilfield in Canada.

Lonrho accounts get all clear

BY RICHARD WATERS

THE Stock Exchange and the Institute of Chartered Accountants in England and Wales have completed investigations into the annual accounts of Lonrho, prompted by entirely separate complaints arising from different sources. Both have said they will not pursue the complaints further.

The Stock Exchance enquiries followed a letter in June from House of Fraser, the stores group, which alleged that Lonrho had not disclosed enough in its 1986 accounts to give readers a complete picture of its affairs. The claim was supported by accountants Arthur Young.

After consulting its own independent firm of accountants, the Exchange decided this was not the case.

The Institute's examination of the Lonrho accounts followed a complaint from its own technical department. Such referrals happen "from time to time", said Mr Geoff Mitchell, the technical director.

The Institute's review is believed to have centred on Lonrho's compliance with Statement of Standard Accounting Practice 6, on the treatment of unusual profits or losses during the year - though the Institute refused to confirm this.

During 1986, a Lonrho subsidiary is believed to have made a profit of £12.1m on the sale of shares in Reuters, the news agency. This was instrumental in lifting Lonrho's profits by £6.8m to £165.1m in 1986, but was not disclosed separately in the group's accounts, said one accountant close to the investigation.

Platou wins control of TRNR

BY MIKE SMITH

Platou Investment, the unlisted Norwegian company, has won its battle for control of TR Natural Resources, the Touche Remnant investment trust.

By the first closing date last Saturday it had gained acceptances from holders of 23.93 per cent of shares. When added to the shares it already owned this meant it controlled 52.7 per cent of the company.

By far the majority of assenting shareholders plumped for the cash alternative, which offers 94 per cent of formula asset value.

Holders of just 0.08 per cent of the shares accepted the paper bid which offered 95 per cent of FAV.

TRNR and Platou expect to agree a FAV for the trust within the next fortnight. Touche Remnant is likely to continue managing the trust.

Mr Peter Kysel, TRNR manager, said yesterday that he was seeking discussions with Platou to see how the interests of the "pretty sizeable minority of shareholders" would be protected.

TRNR would be seeking assurances on the make-up of the board and on future investment policies.

Platou wants TRNR to retain a listing and has said it will place with institutional investors any shares it wins control of above 54 per cent.

However, the share offer will remain open until the last day of this month. The cash alternative has been closed.

Braithwaite sells its headquarters

Braithwaite, the engineering and manufacturing group, has sold its head office in Leatherhead, Surrey, for £1.46m, the company announced yesterday.

The sale will release capital for investment in operational assets and the company plans to locate its head office operations in "more suitable smaller premises in London."

The sale price compares with a net book value of £642,500 at the last balance sheet date, and will result in an extraordinary profit in the current financial year.

The bulk of the purchase price - £1m - is payable immediately, with a further £485,000 payable on receipt of planning permission by the developers.

Braithwaite will continue to receive rental income on the property until final completion of the transaction, expected to be in early 1988.

FT Share Information

The following securities have been added to the Share Information Service:

Alexander (Walter) (Industrials).
Asda Property 5¼% Conv. Cum. Red.Pref. (Property).
AuDAX Resources (Mines-Australia).
Beres Inc. (Industrials).
Bugge Eindoms (Property).
Delta Gold (Mines-Australia).
Esmeralda Resources (Mines-Australia).
GT Venture Inv. (Trusts,Finance,Land).
Ingham (George) (Textiles).
Johnson Electric (Electricals).
Knobs & Knockers (Stores).
Mawson Pacific (Mines-Australia).

Granville up 19% to £0.64m

BY DAVID LASCELLES, BANKING EDITOR

Granville & Co, banking and investment group, increased its pre-tax profits by 19 per cent to £635,000 in the year ended March 31. Its shareholders funds amount to £3.3m and its investment portfolio is valued by the directors at more than £3m.

Mr Robin Hodgson, managing director, said that the year had been one of substantial investment and he now expected a phase of major progress.

In the period Granville expanded into personal financial planning and stockbroking through acquisition, and into private banking with the creation of Granville Trust, a licensed deposit taker with capital of £2m. Its main divisions now consist of corporate finance services, development capital, stockbroking, investment management, private banking and personal financial planning. The group also runs an exchange for shares in privately-held companies.

Mr Hodgson said Granville was aiming its corporate services at small to medium-sized companies which wanted development capital and eventually a flotation on the Stock Exchange. Granville is currently handling its first full flotation, for Record Holdings, the hand tools company.

Granville has also put together a European development capital fund with a number of European financial institutions amounting to ECU 40m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Aitken Hume ....int	1.5	Dec 1	nil	-	2
Barrett(Henry) ....fin	0.7	Feb 1	-	0.83	-
Christy Hunt ....fin	0.55	-	nil	0.55	nil
Edinburgh Inv. ....int	1.65	Dec 2	1.48	-	3.75
Ferguson Hldgs ....int	3.4	Dec 10	3.1	-	9
Highland Dist. ....fin	1.77	-	1.56	2.45	2.18
Scanro § ....int	nil	-	1.5	-	2.5
Sinclair (Wm.) ....fin	5	-	3.75*	6.8	5.13
Wehmiller,Barry ..fin	2	Dec 18	-	2	-
Wolseley ....fin	10	-	8	14	11.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market.

Company News In Brief

AITKEN HUME International, on behalf of funds under their management, has disposed of 800,000 ordinary shares (5 per cent) in Baillie Gifford Shin Nippon and now holds 659,660 ordinary (4.1 per cent).

TYNDALL HOLDINGS : £111.5m rights issue to finance acquisition of Clayton Robard was taken up in respect of 23.64m ordinary shares (90.11 per cent) and the balance of 2.6m shares sold in the market at a premium.

BOOKER, through its subsidiary McConnell Salmon, has acquired Atlantic Sea Products for £1.75m in cash. Atlantic operates a hatchery and a marine site on the west coast of Lewis, OuterHebrides.

C.H. INDUSTRIALS is paying £1.1m cash for assets and freehold premises of Midland-based Auto Springs from Warwick Engineering. Auto's net assets were valued at £568,000as at March 31 1987. C.H. has also completedacquisition of Gripperrods International. The open offer of 23.2m new ordinary at 167p was 87.5 per cent taken up by existing holders. Remaining shares were placed with institutional investors.

WYNDHAM GROUP has exchanged an unconditional contract for the purchase of five leasehold properties at the Parkwood Industrial Estate in Maidstone, Kent. The vendors are Investors in Industry and the price £625,000 in cash.

KINGSGRANGE has taken an initial 54 per cent stake in Park Rose, payable in cash and shares. The remaining 46 per cent is held by investors under the Business Start Up Scheme in 1983 and Business Expansion Scheme in 1985. When qualifying period for 1983 investors expires at end of March, 1988, Kingsgrange intends to make offer for the outstanding shares for a maximum £554,022. Total maximum consideration is £1.26m for all of Park Rose.

GREAT PORTLAND ESTATES is to acquire Centurion House, Railway Street, Hertford from Mount Provincial Developments for a figure believed to be close to £2.5m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- CH Beazer, Leisure Investments, Paterson Zochonis,Barry Wehmiller Intl.

Finals - Aitken Hume Intl, Ambrose Inv Tst, Anchor Chemical, BDA Hldgs, Boot(Henry), Devas & Newman, Derwent Valley, First Charlotte Assets Tst, Gartmore American Secs.

FUTURE DATES

Interims-	
N Brown Group	Oct 27
Clarkson(Horace)	Oct 29
El Oro Mining	Oct 28
Exploration Co.	Oct 28
Fleming Univ. Inv Tst	Oct 22
Grand Central Inv Hldgs	Oct 21
Harris Queensway	Oct 22
Regalian Props	Nov 11
Rockware Group	Oct 28
Finals-	
Bridport-Gundry	Oct 29
Cramphorn	Nov 3
Ensign Tst	Oct 29

SHARE STAKES

THE following changes in share stakes were reported during the past week:

Gabicci.-On October 8, J Sofier sold 50,000 shares beneficially and 75,000 non-beneficially. A Pyser sold 375,000.

Edinburgh Fund Managers.- On October 8, director A Cassels sold 63,000 ordinary at 328p and now holds 150,000.

Norbain Electronics.- On October 8, director J H Dyson sold 15,000 shares at 115p.

Ronald Martin Groome.- Director F Groome on October 13 sold 100,000 ordinary at 245p and now holds 351,240 ordinary.

Metsec.- The following shares sales have been made by directors with over 5 per cent holdings: K R Hirst 60,750 at 175p, J McKinlay 100,000 at 175p, K Dodd 75,000 at 175p, D Jeavons 50,000 at 175p, and S Tilsley 60,000 at 175p.

Christies International.- Charles Allsopp, a director, sold 30,000 ordinary at 710p.

Norton Opax.- The following directors acquired 5¼ per cent convertible cumulative preference shares 2002 at £1 through a rights issue: R E Hanwell 41,666 and exercised options on 18,000 ordinary at 91.75p; P E Cushing 1,956; R T Dimbleby 6,000; J W Grainger 11,666 and J T Wiltshire 1,800.

Sterling Publishing.- On October 9 J D Moser sold 29,882 ordinary and now holds 1,540,000 (10.258 per cent).

F H Tomkins.- Director J G Sanger acquired 53,333 ordinary at 67.5p and disposed of 43,554 ordinary at 312p and now holds 40,000 (0.033 per cent).

Electronic Machine Co.- On October 8 J P Lobbenberg sold 40,000 ordinary and now holds 685,000.

Cityvision.- The directors have sold the following shares, all at 87p cumulative rights: D A Quayle 170,000; B W Ripley 225,000; T J Morris 110,000; R G Hipkin 54,000; C P Gervaise-Brazier 331,000; F G Askham and Mrs Askham 165,000, P R Lee 95,000.

F and H Group.-On October 16, director F D Fine sold 200,000 ordinary at 103p, and group director A J Minta purchased 240,000 ordinary at 104p.

Rolfe and Nolan.- Director M Rolfe on October 8 sold 100,000 ordinary at 235p to fellow director S Rapkin.

Cowan de Groot.- On October 6,the following directors sold ordinary at 90p: P L Holliday 200,000, and S C Maugham 150,000.

COMMODITIES AND AGRICULTURE

Gold soars as share prices tumble

By David Blackwell

LONDON GOLD prices closed in London yesterday at their highest levels for four-and-a-half years in the face of falling equity and bond markets, the declining dollar, and the increasing tension in the Gulf.

Bullion closed up $16.50 from last Thursday's level at $481.50 an ounce, the highest since the closing price on February 22, 1983. The price touched a peak of $490 an ounce in the morning, but fell back in late afternoon trading when US and London stock markets recovered some of their huge losses and Comex gold futures trimmed gains.

The London afternoon gold fix, which usually takes five to 10 minutes, lasted one hour 50 minutes before the price was fixed at $481 an ounce. The morning fix was set at $479.50.

Both silver and platinum prices moved in line with the frenzied activity in the gold market. Silver bullion closed at 822.50 cents an ounce, against 786 cents on Thursday, and platinum rose by $10.50 an ounce to $604 an ounce. The markets were closed on Friday following the hurricane which swept southern Britain.

One London trader traced yesterday's sharp increase in gold prices back to the release last Wednesday of the US trade deficit figures, which disappointed Wall Street. He believed the gold price could break through the $500 an ounce barrier by the end of the month—if not sooner.

Ms Rhona O'Connell, of Shearson Lehman Brothers, said the market could see $500 an ounce by the end of this week if stock markets continued to fall. But she added that if the gold market had been really explosive it would have reached that level yesterday.

In the face of steady stock markets, the gold price would maintain a level of about $475 an ounce, she said.

US attack on rig shakes up crude oil market

BY LUCY KELLAWAY

BRENT OIL prices leapt by as much as 65 cents to $19.65 a barrel yesterday morning on news that the US had retaliated after Friday's attack by Iran on a reflagged Kuwaiti oil tanker in the Gulf. Later in the day prices slipped back to close only 5 cents higher at $19.05 when the US confirmed that it had hit an Iranian oil tanker and considered the matter closed.

The upward movement, which yesterday pushed the price of West Texas Intermediate as high as $20.55 a barrel, follows several weeks of calm during which the oil market had seemed impervious to events in the Middle East.

Mr Chris McCormack of E. D. and F. Mann, the US broker, said yesterday: "We now have a new degree of tension with didect confrontation between the US and Iran. Even though there are no signs of a disruption to oil supplies, people take this to be more serious than conflict between Iran and Iraq."

In London traders commented that yesterday's market, in which more than 30 cargoes of Brent oil were reported to have changed hands for December delivery alone, was a typical example of the commodity market practice of "buy on the rumour, sell on the fact."

On the New York Mercantile Exchange yesterday afternoon prices of WTI were quoted 1 cent higher at $20.23. Volumes were heavy, although lower than the record trading activity on Friday when the rally began.

The consensus yesterday evening was that oil prices were more likely to drift down from present levels as a result of continued oversupply of oil on the market. Traders expressed concern over recent reports of overproduction from Iran and the apparent unwillingness of Saudi Arabia to play the role of swing producer. Few believed that the present confrontation would restrict oil exports from the Gulf significantly.

Nymex studies Singapore link

BY DEBORAH HARGREAVES IN CHICAGO

THE NEW YORK Mercantile Exchange is involved in discussions with Singapore's Simex on a possible link between the two on crude oil futures.

Ms Rosemary McFadden, Nymex president, who flew back last week from Singapore, said Simex is still considering the sort of crude oil contract it wants to list and Nymex officials are working closely with the exchange. Simex could trade Nymex's successful West Texas Intermediate crude oil futures when the floor in New York is closed.

However, the exchange is also understood to be looking at developing its own oil contract, based possibly on Dubai crude.

Ms McFadden said Nymex's talks with London's International Petroleum Exchange were "proceding well," and that the exchange could be ready with an announcement in the next couple of weeks.

Nymex, facing a demand from the oil community for 24-hour trading in crude futures, says it is also looking at listing its WTI contract on the Post Market Trade computer system being developed jointly by the Chicago Mercantile Exchange and Reuters. However, the exchange has not yet seen a full demonstration of the system and is not close to a decision. It is also looking at extending its own floor hours.

Ms McFadden believes the exchange must settle for one way to move towards 24-hour trading, but has not yet decided between linkages or screen-based trading. The timing of a decision is critical, she stresses.

Furthermore, any decision could be complicated by current merger talks between Nymex and New York's Commodity Exchange, Comex. Management consulting firm, Arthur D. Little is expected to deliver a report on the proposed merger this week.

Rubber stock sales estimate raised

BY WONG SULONG IN KUALA LUMPUR

THE BUFFER stock manager of the International Natural Rubber Organisation is believed to have sold off as much as 10 per cent of his 370,000-tonne stockpile since the price broke through the "may sell" level early last month, according to delegates attending an Inro council session here yesterday. The session was the last under the current International Rubber Agreement.

Traders expressed surprise at the size of the disposal as they had earlier estimated the sales at between 20,000 and 25,000 tonnes.

The BSM, Mr Aldo Hofmeister, said the organisation's rules prevented him from revealing the amount of his disposals until 60 days later. He said he had told the Inro council that his sales were "substantial" and added he was surprised by the firmness of the market.

The Inro average indicator price is currently around 237 Malaysian/Singapore cents a kg, five cents above the "may sell" level and five cents below the "must sell" level.

Mr Hofmeister acknowledged that some traders, particularly in Tokyo were wary of the condition of the stockpiled rubber, but said the quality was acceptable. He had offered discounts for rubber to take into account of its present condition.

The fact that his activity at the upper end of the price range had been conducted successfully angured well for the agreement as it showed it was "not merely a one way street," the BSM added.

The first agreement is due to expire on Thursday, after seven years in operation, and Inra II is not expected to come into force for another 12 months.

Representatives of the 32 member countries will review the market situation and finalise operational arrangements for the Inro headquarters during their three-day meeting.

The BSM has been authorised to operate the stockpile during the interim period, with the provision that he should not disrupt the market.

Malaysia, the largest producer has urged Inro members not to be tardy and sign Inra II before the end of this year so that it could come into force before the end of 1988.

So far only Malaysia has signed and ratified the pact. Indonesia and the US have also signed.

Scottish company to step up salmon production

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MARINE HARVEST, the Unilever subsidiary which farms salmon on the West Coast of Scotland, is investing £9m in a programme which aimed at raising its output from 4,000 tonnes this year to over 10,000 tonnes by 1990.

The company, which up to 1986 had invested £15m, claims to be the largest farmer of Atlantic salmon in the world. It is a leading player in the burgeoning Scottish salmon industry, the output of which has risen from virtually nothing at the beginning of the decade to an expected 15,000 tonnes this year, worth about £60m at the farm gate.

Scottish output, which currently comes from about 200 farms, is projected to reach 45,000 tonnes by 1991.

Marine Harvest has commissioned a 30,000 sq ft salmon gutting and packing plant at Fort William to handle fish from the company's 18 sea water salmon farms, and has spent £1.5m in equipping it. The plant's workforce of about 30 people is expected to rise to 100 by 1989 as output increases. It could later be used to make salmon products such as steaks.

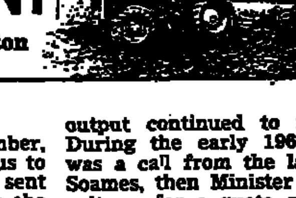
The company is shortly to open a fourth salmon hatchery and has obtained planning permission for two more seawater farms, while consent is being sought for a further two.

Marine Harvest sells 45 per cent of its output in the UK. The US takes 25 per cent, France 22 per cent and the rest of Europe 8 per cent.

Stabilisers—rehashing an old idea

FARMER'S VIEWPOINT

By John Cherrington



THE EC Commission's latest proposals for limiting farm expenditure look remarkably like the standard quantity system which used to govern British farming before EC entry. The name is different, however, it is now called a "budget stabiliser" system.

In the case of cereals it would work like this. A limit would be set on the quantity of cereals for which the price would be guaranteed. Should that be exceeded, say by 10 per cent, the overall guarantee would be reduced by the same percentage and the whole cereals sector would have the intervention price reduced to the same extent.

Because of the usual lateness of the European harvest this calculation would be delayed until some time in October and intervention buying would not start until November. Should there be a price reduction as the consequence of this calculation it would be reflected in the prices for all grain and should in theory discourage farmers from increasing output.

The old UK scheme was much more positive than this. The guarantee for grain was in the form of a deficiency payment to make up the difference between the market price for the season and the guarantee. It was paid as an acreage premium on grain grown and sold in that year up to the limit set by the Government. If too much grain was grown farmers suffered a proportionate fall in gross income as the payment was spread over a larger tonnage. If the market price was very low the Government did not worry as it was all part of the cheap food policy.

Cereal farmers certainly did not like the system but it was popular among the livestock farming element, which depended on cheap feeding stuffs for its own survival. There was, and still is to some extent, a certain conflict between arable farmers and those who milked cows or fed livestock for a living. This division assisted the governments of the day in the application of the system.

Ministers, as I remember, used to try and persuade us to take notice of the signals sent out when the price or even the standard quantity was altered. But somehow farmers did not seem to get the message, in spite of quite severe price restraint output increased over the years as farmers became more efficient in reducing their unit costs, generally by increasing their output.

During this period of standard quantities, which lasted from around 1958 until EC entry in 1973, successive governments provided a number of production grants designed to lower improvement costs and actual costs of production. This was all part of the cheap food policy in that a weak market in the UK forced down the price of imports.

Sometimes this policy went a bit too far and exporters were encouraged to fix minimum prices on their exports to this country. The object of this exercise was to save the government paying out too much money in deficiency payments.

Farmers were far from happy during this period and used to protest at the Government's apparent meanness, but overall output continued to increase. During the early 1960s there was a call from the late Lord Soames, then Minister of Agriculture, for a quota system to be applied to milk. This was turned down by the Milk Marketing Board and the NFU although the smaller farmers were for it as they thought it would relieve them of the need to continue increasing output in order maintain their incomes. I must say that I took the same view myself at the time.

After the price restraint of the UK cheap food policy farmers took the fullest advantage of the open-ended guarantees of the Common Agricultural Policy and output rose substantially in almost every sector. Nowhere was this more apparent than in the case of milk. This led to the imposition of quotas in 1984 which has contained the expenditure on the milk sector to a large extent. Its main shortcoming was that restrictions that were not strict enough overall. In some countries, moreover, quotas were not imposed, while in others they were not respected.

It is probable that the stabilisers, should they be universally applied, would contain expenditure on the CAP—but they could cause a most dreadful muddle in the markets.

Take cereals again. Only a small proportion of the UK crop is taken for intervention. The balance is either sold on the home market or subsidised for export at world prices. But traders would not know until the end of October the level of the intervention price. This is four months into the cereal year, which starts on July 1. No UK compounder or miller would be able to buy forward until he knew what the price was going to be.

It is true that the deficiency payment under the standard quantity system was also calculated in arrears. But in this case it was a fairly exact calculation and at that time there was no problem finding a market at home as we were still not self-sufficient, as we are now in most temperate foods.

Britain's National Farmers' Union has attacked the stabiliser concept as being a recipe for very unstable markets. Of the European countries West Germany in particular has, through Mr Ignaz Kiechle, its Agriculture Minister, claimed that there is no need for any restrictions at all. At the same time there are suggestions that the so-called cereal substitutes which at present enter the EC free of duty should be subjected to levies and that the proposed oils and fats tax, strenuously opposed by the UK, should be enacted as well.

Any levy on cereal substitutes which include a number of what I would call proteins, could be a blow to the intensive pig and poultry farmers who have received very little help indeed from the CAP system beyond the external tariff.

This side of farming could point the way to a more rational agricultural policy. But because the ruthless application of economic forces which govern pigs and poultry to the rest of farm production could cause such social distress, it will be a long time before such measures could be contemplated—let alone imposed.

EC FARM Ministers last night launched their debate on proposals for a new system of cost "stabilisers" to be introduced for every commodity regime affected by the Common Agricultural Policy, writes Quentin Peel in Luxembourg.

The first plan on the agenda is for the cereals sector, with the European Commission proposing a maximum guaranteed quantity eligible for price support of 155m tonnes a year.

Mr John MacGregor, the British Agriculture Minister, spelt out the UK determination to agree on precise figures, trigger mechanisms for cutting back price support, and wider management powers for the Commission, in each separate sector.

LONDON MARKETS

ALUMINIUM PRICES ran into a wave of profit-taking in the London Metal Exchange yesterday after the recent rising trend had been maintained in early trading. But although the cash standard grade price ended at £1,254.50 a tonne, down £29.50 from Thursday's close (the market was closed on Friday following the overnight storm) dealers said tight physical supplies, chart patterns and technical tightness in the LME remained as "constructive" factors. Dollar weakness was quoted as the main factor in the coffee market, where the January futures position ended the day £19.50 down (from Thursday) at £1,345 a tonne. But traders said the market was fairly thin and reported that reasonable enquiry had been reported for Colombian beans following rumours that November export registrations had been opened. Expectations of Brazil opening its export registrations for October this week were reported to be fading, however.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	2105-15	—30	—
3 months	1940-50	+5	—

Official closing (am): Cash 2130-40 (2170-80), three months 1970-80 (1970-80), settlement 2140 (2180). Final Kerb close: unquoted.

99.5% purity	£ per tonne	+ or —	High/Low
Cash	1252-7	—29.5	1275/1270
3 months	1136.5-7	—10.75	1159/1151

Official closing (am): Cash 1271-2 (1274-5), three months 1151-2 (1155-5.5), settlement 1272 (1275). Final Kerb close: 1132-3. Ring turnover: 52,700 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1215-6	—1	1230/1214
3 months	1176-6	—1	1195/1173

Official closing (am): Cash 1228.5-8.5 (1219.5-20.5), three months 1187-8 (1176.5-7), settlement 1228.5 (1220.5). Final Kerab close: 1173-4.

Standard			
Cash	1195-200	—2	1210
3 months	1150-60	—14.5	—

Official closing (am): Cash 1210-1 (1200-5), three months 1178-82 (1170-5), settlement 1211 (1205). US Producer prices 91-95 cents per lb. Total ring turnover: 58,950 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	363-4	—2.5	365
3 Months	356-5.5	—0.5	358/355

Official closing (am): Cash 364-5 (365-5.5), three months 358-8.5 (356-7), settlement 365 (365.5). Final Kerb close: 357-8. Ring turnover: 11,175 tonnes. US Spot: 42 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3535-40	—27.5	3550/3454
3 months	3510-5	+2.5	3540/3488

Official closing (am): Cash 3545-50 (3515-25), three months 3530-5 (3460-5), settlement 3550 (3525). Final Kerb close: 3480-500. Ring turnover: 3,072 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	462-4	+1	466
3 months	466-7	—0.25	469/467

Official closing (am): Cash 465-6 (461.5-2.5), three months 468-9 (465.5-6), settlement 466 (462.5). Final Kerb close: 468-9. Ring turnover: 16,075 tonnes. US Prime Western: 43-43.74 cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 17.19 (17.19) ringgit per kg. Up 0.01 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)		Oct. 19
Close	$481-482	(£286¼-286¾)
Opening	$475¾-476¼	(£284-285)
M'n'g fix	$479.50	(£284.705)
Aft'n'n fix	$481.00	(£286.224)
Day's high	$489-491	—
Day's low	$475¾-476¼	—

GOLD AND PLATINUM COINS		
Am Eagle	$495-500	(£294¼-298)
Mapleleaf	$500-503	(£297¼-299¼)
Kr'g'rnd	$480-483	(£285¼-287)
½ Krug	$254½-258¼	(£151¼-151¾)
¼ Krug	$130¼-131¼	(£77¾-78¼)
Angel	$497-500	(£295¼-297½)
1/10 Angel	$51-56	(£30¼-33¼)
New Sov.	$113¼-114	(£67¼-68)
Old Sov.	$113¼-114¼	(£67¼-68¼)
Britannia	$495-500	(£294¼-298)
Noble Plat.	$616-626	(£366¼-372¼)

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—		—	
Aluminium 99.5%	1,900	—	61	—	—
	2,050	49	—	—	—
Copper (Grade A)	1,950	—	69½	—	—
	2,000	—	—	46½	—
Copper (Grade A) £/tonne	1,175	—	40	—	—
	1,200	—	—	18	—

RUBBER

PHYSICALS—The London Market opened steadier but showed little interest throughout the day, reports Lewis and Peat. Closing prices (buyers): Spot 66.00 (same); Nov 68.25p (67.50p); Dec 68.50p (67.75p). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) were: RSS No 1 270.0 (268.0); SMR 20 267 (254.5).

INDICES

REUTERS

Oct. 16	Oct. 15	M'th ago	Year ago
1679.5	1679.2	—	—

(Base December 31 1931=100)

DOW JONES

Dow Jones	Oct. 16	Oct. 14	M'th ago	Year ago
Spot	128.14	127.62	—	121.67
Fut	133.88	133.40	—	121.36

(Base December 31 1931=100)

MAIN PRICE CHANGES

	Oct. 19 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$2150/160	—35	$1785/795
Copper			
Cash Grade A	£1215.5	—1.0	£1128.75
3 months	£1175.5	+1.0	£1109.5
Gold Troy oz	$481.5	+16.5	$461.25
Lead Cash	£363.5	—2.5	£390.5
3 months	£355.25	+0.5	£373.5
Nickel			
Free Mkt	271/281c	+8	244/254c
Palladium oz	$140.75	+5.5	$137.25
Platinum oz	$607.0	+13.75	$588.75
Quicksilver‡	$295/305		$310/325
Silver troy oz	493.50p	+23.7	461.20p
3 months	505.55p	+24.8	472.70p
Tin			
free Mkt	£4150/161		£4150/150
Tungsten	$61.16		$55.47
Wolfram 22.04lb	$38/50		$38/50
Zinc	£463	+1	£447.5
3 months	£466.5	0.25	£452.75
producers	$825	+5	$860
OILS			
Coconut (Phil)	$500.0	—7.5	$470
Palm Malaysian	$367.5z	17.5	$335
Seeds			
Copra (Phil)	$335	+5	$315
Soyabean (U.S.)	$161	+5	$152
GRAINS			
Barley Fut. Jan.	£106.35	+0.05	£102.10
Maize	£133.50		£150.00
Wheat Fut. Jan.	£112.0	—0.2	£105.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1176.5	—1.0	£1224.5
Coffee Ft. Jan	£1345	—20.5	£1321.5
Cotton A Ind.*	75.45c	—0.35	63.90c
Gas Oil Dec.	$171.50	+4.25	$156
Rubber (kilo)	66p	—0.5	70p
Sugar (raw)	$178.0w	+2.4	$164.2
Wooltops 64s	595p kilo		489p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. ‡ Nov-Dec.

SILVER

Silver was fixed 23.7p an ounce higher for spot delivery in the London bullion market yesterday at 493.5p. US cent equivalents of the fixing levels were: spot 830.8c, up 49.3c; three-month 849.25c, up 50.1c; six-month 868.8c, up 51.55c; and 12-month 911.05c, up 56.45c. The metal opened at 481-483½p (810-814c) and closed at 488-490½p (820-825c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	493.50p	+23.7	819c	+30
3 months	505.55p	+24.8	836c	+31
6 months	518.55p	+24.7	—	—
12 months	545.30p	+25.5	—	—

LME—Turnover: 0 (0) lots of 10,000 oz.
Final kerb close 837-40c.

COFFEE

London robusta opened some £10-15 lower due to dollar weakness, reports Drexel Burnham Lambert. Renewed trade selling kept the market under pressure in moderate trading. Scale down price fixation and short covering cushioned the decline. The market remained confined to a tight range during the afternoon due to a lack of any new developments.

COFFEE	Yesterday's close	+ or —	Business done
Nov	1310-1316	—22.5	1327-1312
Jan	1344-1346	—20.5	1365-1342
Mar	1366-1367	—19.0	1378-1365
May	1390-1395	—16.0	1400-1385
July	1407-1410	—14.0	1416-1406
Sept	1420-1425	—25.0	1453-1424
Nov	1440-1450	—15.0	—

Sales: 3221 (4241) lots of 5 tonnes. ICO indicator prices (US cents per pound) for October 16 Comp daily 1979 112.41 (112.25): 15-day average 108.90 (108.61).

COCOA

Although initially £12 lower, as due, futures regained the loss very quickly and held the levels to close unchanged on the day. Physicals were largely ignored by the major market movers and only light second-hand interest was noted, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business done
Dec	1140-1141	—4.0	1148-1132
March	1176-1177	—1.0	1185-1169
May	1197-1198	—1.0	1205-1190
July	1218-1219	+1.0	1225-1212
Sept	1239-1240	+2.0	1245-1235
Dec	1263-1264	+1.0	1266-1256
March	1288-1289	+0.5	1290-1279

Sales: 2569 (4985) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for October 15 1451.58 (1476.09); 10-day average for October 16 1465.49 (1489.36).

FREIGHT FUTURES

Dry Cargo	Close	High/Low	Prev.
Oct.	1112	1112/1108	1110
Jan.	1226	1246/1225	1231
Apr.	1265.5	1285/1265.5	1265
July	1160	1167/1160.5	1153.5
Oct.	1245	1245	1250
Jan.	1237.5	1237.5	1240
April	1300	1300	1320
BFI.	1150	1150	—
	1097.5	—	1088.5

Turnover: 298 (150).

GRAINS

Wheat and barley markets were generally easier reflecting tired country markets, although speculative interest attracted buyers in later trading. New crops saw buyers although trade was quiet, reports T. G. Roddick.

Mnth	WHEAT Yest'dy's close	+ or —	BARLEY Yest'dy's close	+ or —
Nov.	109.75	—0.35	103.65	—0.45
Jan.	112.00	—0.30	106.35	—0.55
Mar.	113.60	—0.60	108.50	—0.48
May	115.95	—0.55	110.00	—0.55
July	118.25	—0.25	—	—
Sept	102.75	—0.50	99.25	—
Nov.	104.60	—0.50	101.75	—

Business done—Wheat: Nov 110.50-9.75, Jan 112.25-2.00, March 113.90-3.50, May 116.00-5.75, July 118.30 only, Sept 103.00-2.50, Nov 104.75-4.50. Sales: 206 lots of 100 tonnes. Barley: Nov 104.10-3.95, Jan 106.90-6.60, March 108.80-8.50, May untraded, Sept untraded, Nov untraded. Sales: 86 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark Northern spring No 2 14 per cent Nov 95.00, Dec 95.25, US No 2 soft red winter Nov 93.00, Dec 95.50, French 11½-12 per cent Oct 136.00 sellers. English feed fob Apr/Jun 118.00/118.75, Jan/Mar 115.00/116.00 buyer/sellers. Maize: US No 3 yellow/French transhipment East coast second half Oct 133.50 seller. Barley: English feed Oct 106.50 seller, Nov 109.00/110.00, Dec 110.50/111.00, Jan/Mar 113.00/113.75 buyer/sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed Barley: Eastern 102.70; E. Mids 104.80; N. East 104.50; Scotland 99.10. The UK monetary coefficient for the week beginning Monday October 26 (based on HGCA calculations using 4 days exchange rates) is expected to remain unchanged.

US MARKETS

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	High	Low	Prev
Oct	820.0	853.0	—	—
Nov	820.0	853.0	—	—
Dec	820.0	853.0	860.0	820.0
Jan	811.0	831.0	—	—
Feb	—	—	—	—
March	775.0	795.0	—	—
April	—	—	—	—
May	722.5	742.5	—	—
July	705.0	715.0	—	—
Sep	705.0	715.0	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	1808	1789	1823	1800
March	1838	1820	1851	1830
May	1867	1847	1875	1860
July	1898	1876	1905	1895
Sept	1927	1904	1935	1920
Dec	1958	1935	1965	1955
March	1988	1963	—	—

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Dec	122.73	124.62	123.80	113.40
March	126.45	128.45	128.00	126.30
May	128.38	129.80	129.50	128.30
July	129.25	130.58	130.60	129.25
Sept	130.65	132.25	131.30	130.58
Dec	131.75	133.00	132.80	131.75
March	132.45	134.05	—	—

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	86.15	89.25	89.75	87.30
Nov	85.05	88.15	—	—
Dec	84.70	87.90	89.50	83.85
Jan	83.30	87.25	—	—
March	82.65	85.95	87.35	82.00
May	81.60	84.65	86.90	80.90
July	79.60	82.75	—	—
Sept	80.20	83.35	85.00	80.10
Dec	80.00	83.15	84.70	82.65
Jan	79.30	83.05	—	—
March	79.80	82.95	83.00	83.00
May	78.70	82.85	—	—

COTTON 50,000 lbs; cents/lbs

	Close	Prev	High	Low
Dec	66.19	68.19	68.10	66.19
March	67.75	69.75	69.55	67.75
May	68.35	70.35	70.35	68.35
July	68.30	70.30	70.30	68.30
Oct	64.15	66.10	66.00	64.10
Dec	62.84	64.35	64.25	62.35
March	—	66.05	66.00	64.75

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

	Close	Prev	High	Low
Nov	20.00	20.22	20.58	20.00
Dec	20.03	20.22	20.52	20.02
Jan	20.00	20.19	20.49	19.96
Feb	19.95	20.13	20.43	20.00
March	19.89	20.06	20.37	19.89
April	19.95	19.98	20.23	19.93
May	20.00	19.98	20.10	20.00
June	19.90	19.90	20.00	19.90
July	19.80	19.84	20.00	19.80
Aug	19.70	19.78	19.70	19.65

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	481.7	471.6	481.5	478.0
Nov	483.2	472.7	—	—
Dec	486.8	476.3	498.0	483.0
Feb	494.5	483.7	505.0	489.0
Apr	502.4	491.3	514.0	500.6
Jun	510.3	498.9	517.0	507.0
Aug	518.3	506.8	525.0	517.5
Sep	460.0	460.1	461.0	461.0
Oct	526.5	514.5	531.0	523.0
Dec	534.7	522.3	546.0	534.0
Feb	543.1	530.4	547.5	541.0
Jun	560.7	547.1	570.0	564.0
Aug	569.5	555.5	576.0	575.0

HEATING OIL 42,000 US gallons; cents/US gallons

	Latest	Prev	High	Low
Nov	57.35	57.86	58.70	57.30
Dec	57.55	57.92	58.70	57.30
Jan	57.55	57.95	58.70	57.55
Feb	57.40	57.80	58.25	57.30
Mar	55.45	55.41	56.25	55.40
Apr	53.85	53.60	54.45	53.85
May	52.25	52.25	52.00	52.00
Jun	—	51.95	53.00	51.60
Jul	51.80	52.15	51.80	51.85

ORANGE JUICE 15,000 lbs; cents/lb

	Close	Prev	High	Low
Nov	145.50	146.65	147.00	145.50
Jan	143.70	144.90	145.40	143.30
March	143.20	144.50	144.75	143.20
May	143.65	144.05	144.50	143.05
July	143.90	144.05	144.55	143.60
Sept	—	27.15	—	—
Nov	141.50	141.50	142.90	142.90
Jan	140.95	140.95	—	—
March	140.95	140.95	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	598.9	587.3	622.0	605.0
Nov	—	—	—	—
Dec	604.2	602.6	627.6	622.0
Jan	606.4	604.8	628.0	605.0
Feb	—	—	—	—
April	617.4	615.8	637.0	617.0
July	628.4	626.8	649.5	636.0
Oct	639.4	637.8	660.0	660.0
Jan	650E.4	648.8	—	—

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Oct	819.2	787.8	837.0	819.0
Nov	822.7	791.1	—	—
Dec	828.0	796.0	862.0	818.0
Jan	834.4	802.1	866.0	855.0
Mar	846.5	815.8	883.0	840.0
Apr	—	—	—	—
May	863.4	828.9	889.0	863.0
Jul	878.2	842.2	910.0	865.0
Sep	892.9	855.5	931.0	894.0
Dec	914.0	876.6	940.0	900.0
Jan	921.4	886.4	—	—
Mar	936.6	911.7	897.5	877.5
May	952.4	925.4	—	960.0
Jul	988.9	938.9	985.0	972.0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Prev	High	Low
Jan	7.12	7.15	7.25	7.14
March	7.55	7.59	7.73	7.49
May	7.66	7.73	7.88	7.60
July	7.76	7.87	7.98	7.72
Oct	7.92	7.99	8.09	7.85
Jan	8.12	8.23	—	—
March	8.49	8.46	8.57	8.36

CHICAGO

LIVE CATTLE 40,000 lbs; Cents/lbs

	Close	Prev	High	Low
Oct	67.92	68.75	68.85	67.70
Dec	66.92	68.42	68.20	66.92
Feb	64.80	66.30	66.10	64.80
Apr	66.12	67.62	67.50	66.12
Jun	65.72	67.22	67.20	65.72
Aug	64.30	65.80	65.60	64.30
Oct	62.80	64.30	64.25	62.80

LIVE HOGS 30,000 lbs; Cents/lbs

	Close	Prev	High	Low
Oct	48.40	49.05	48.85	48.30
Dec	44.85	45.92	46.30	44.60
Feb	43.17	44.20	43.95	43.05
April	40.77	41.42	41.25	40.45
June	43.30	44.12	43.85	43.25
July	43.90	44.65	44.35	43.90
Aug	42.00	43.45	43.45	42.95
Oct	40.10	40.40	40.50	40.00
Dec	40.25	40.80	40.60	40.25

MAIZE 5,000 bu min; cents/56lb-bushel

	Close	Prev	High	Low
Dec	178.4	182.2	188.0	176.0
March	186.2	193.0	195.4	183.0
May	194.0	199.0	201.4	190.2
July	197.2	202.0	204.4	193.0
Sept	194.2	197.0	199.4	191.0
Dec	192.4	195.0	196.4	191.0
March	199.0	203.0	201.0	199.0

PORK BELLIES 38,000 lbs; Cents/lbs

	Close	Prev	High	Low
Feb	55.65	56.80	56.60	55.40
Mar	54.92	56.35	56.15	54.75
May	56.20	57.85	57.25	55.80
Jul	56.25	57.62	57.20	56.10

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Nov	523.4	543.6	549.0	513.6
Jan	535.0	553.2	559.4	523.2
March	544.0	562.0	569.0	532.0
May	550.4	570.4	576.0	540.4
July	553.0	576.2	582.0	550.0
Aug	549.0	572.0	580.0	549.0
Sept	553.0	582.0	567.4	547.0
Nov	552.0	560.2	564.6	543.0

SOYABEAN MEAL 100 tons; $/ton

	Close	Prev	High	Low
Oct	176.0	177.5	182.0	169.5
Dec	168.2	172.4	175.9	162.4
Jan	165.7	169.8	172.8	159.8
March	165.5	168.4	171.0	158.4
May	165.5	167.2	169.5	157.2
July	163.5	166.8	169.9	162.0
Aug	164.0	166.0	169.0	161.0
Sept	161.5	165.0	169.5	160.0
Oct	161.5	165.0	161.0	162.0
Dec	161.5	165.5	169.9	161.5

SOYABEAN OIL 60,000 lb; cents/lbs

	Close	Prev	High	Low
Oct	17.70	17.96	18.30	17.40
Dec	17.92	18.25	18.50	17.60
Jan	18.07	18.45	18.70	17.80
March	18.40	18.82	19.05	18.05
May	18.72	19.02	19.30	18.30
July	18.90	19.25	19.50	18.90
Aug	18.95	19.25	19.50	18.95
Sep	18.95	19.30	19.80	18.95
Oct	18.95	19.20	19.35	18.95
Dec	19.15	19.30	19.35	19.15

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Dec	295.0	309.2	309.4	292.0
Mar	306.4	316.4	320.0	303.0
May	303.0	314.4	318.0	302.0
Jul	289.0	298.0	301.4	284.4
Sep	291.0	300.0	305.0	290.0
Dec	305.0	308.0	305.0	305.0

SPOT PRICES: Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 820.00 (786.00) cents per troy ounce. New York tin 320.000-321.00 (317.00-318.75) cents per pound.

POTATOES

Market nervous — trading erratic with the bearish prospect of a few days settled weather conflicting with confirmation of low lifting figures for last week. April opened £2.00 down before recovering to unchanged and then again coming under keen selling pressure to fall back £5.00 by mid-morning. The afternoon saw values move to £2.00 up before closing virtually unchanged, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	93.00	91.0	92.00-90.00
Feb.	107.60	106.5	—
March	92.50	91.0	—
Apr.	157.10	157.0	159.00-152.00
May	170.00	170.0	170.00-166.50
Nov	80.00	75.0	—

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.18-17.32	+0.015
Brent Blend	19.15-19.20	+0.075
W.T.I. (1pm est)	20.25-20.29	+0.24
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	186-189	+2
Gas Oil	156-170	—
Heavy fuel Oil	105-108	+2
Naphtha	164-166	—1

Petroleum Argus estimates

SOYABEAN MEAL

Prices moved lower on light commercial selling following a weaker dollar and a poor Chicago performance, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
October	—	—	—
Dec	130.0-132.0	—1.25	133.5
Feb	131.5-132.5	—0.75	131.5
April	132.0-133.0	—0.50	132.0
June	126.0-127.0	—1.00	127.0
August	124.0-126.0	—1.75	—
October	125.0-126.0	—1.00	—

Sales: 128 (195) lots of 20 tonnes.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Nov	170.00	+4.00	174.50-69.50
Dec	171.50	+4.25	175.50-70.25
Jan	172.25	+4.50	175.25-71.00
Feb	171.75	+4.25	174.00-71.75

Turnover: 10,002 (2,131 lots of 100 tonnes.

TEA

There were 30,827 packages on offer in this week's sale including 3,600 packages in the offshore section, reports the Tea Brokers Association. Best liquoring and good medium assams met useful competition at firm rates but plainer sorts were very irregular. East Africans were mostly 3/5p lower, sometimes more, though there was a better tone near the close. Central Africans again sold readily with selected coloury sorts dearer, others irregular but unchanged on balance. Offshore teas came in for limited enquiry and were several pence easier where sold. Quotations: Quality 175p (180p); Medium 105p (108p); Low Medium 88p (88p).

SUGAR

PARIS—Whites (FFr per tonne): Dec 1145/1155; March 1205/1210; May 1231/1265; Aug 1255/1265; Oct 1270/1285; Dec 1280/1295.

LONDON DAILY PRICE—Raw sugar $178.0 (£105.80), up $2.40 (same) a tonne for October-November delivery. White sugar $192.00 up $2.00.

	Yesterd's close $ per tonne	Previous close	Business done
No. 6 Raws			
Dec	158.4-159.8	155.2-158.2	164.8-158.8
Mar	168.4-169.6	166.2-166.4	174.8-168.4
May	171.8-172.0	169.2-169.8	178.8-170.8
Aug	174.8-174.7	172.0-172.4	179.6-174.8
Oct	175.8-177.6	175.8-175.2	180.4-176.2
Dec	178.0-180.2	177.6-178.4	—
Mar	184.0-186.0	183.0-185.0	188.4-186.8
No. 5 Whites			
Dec	197.0-197.5	189.6-190.5	196.0-192.8
Mar	199.8-201.0	197.0-199.4	205.5
May	205.0-205.0	201.0-205.0	—
Aug	217.5-211.5	216.5-207.0	212.0
Oct	216.0-215.0	206.0-209.0	214.0
Dec	215.0	219.0-215.0	215.5
Mar	229.0	218.0-219.0	219.1

Sales No 6 3624 lots of 50 tonnes; No 5 943.

Tate & Lyle delivery price for granulated basis sugar was £211.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for October 16 Daily price 6.71 (6.58); 15-day average 6.35 (6.30).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle: 94.50p per kg lw (+0.36); GB—Sheep 166.08p per kg est dcw (−0.92); GB—Pigs 75.95p per kg lw (−0.72).

COTTON

LIVERPOOL — Spot and shipment sales for the week ending October 16 amounted to 3,512 tonnes against 444 tonnes in the previous week. Support came strongly in West African, Russian and Pakistan qualities.

FOREIGN EXCHANGES

Dollar falls sharply

THE DOLLAR fell sharply in very nervous foreign exchange trading, but recovered part of its losses to finish near the highest levels of the day.

Mr James Baker, US Treasury Secretary, appeared to call into question the Group of Seven agreement on currency stability, and this added to the general mood of depression after the falls in US stock and bond prices.

Dealers feared the US has little option but to allow the dollar to fall after a tightening of West German monetary policy and a widening of the Japanese trade surplus in September.

There has been general disappointment at the failure of the US to significantly lower its trade deficit, and in the present circumstances it is also doubted the Federal Reserve is willing to increase interest rates.

The US authorities may be reluctant to move on interest rates, for fear of prompting a recession, at a time when US share prices are falling.

The dollar declined to DM 1.7770 from DM 1.8010; to SFr 1.4760 from SFr 1.4935; to FFr 5.9375 from FFr 6.0150; and to Y141.70 from Y142.75.

On Bank of England figures the dollar's index fell to 99.1 from 100.2.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average 1.6456. Exchange rate index rose 0.2 to 73.8, compared with 72.4 six months ago.

Sterling rose 1.70 cents against the dollar to $1.6800-1.6810, but tended to weaken in sympathy with the US unit against other mapor currencies. The pound fell to DM 2.9850 from DM 2.9950; to FFr 9.9775 from FFr 10.0050; and to SFr 2.48 from SFr 2.4850, but rose to Y238 from Y237.50.

The dollar dominated trading, but dealers remained aware that this week's UK economic figures could have particular significance for sterling.

A fall of 0.8 per cent in September UK retail sales was not expected, and compared with a rise of 1 per cent in August. This calmed fears about overheating in the UK economy, although dealers will wait for further evidence from tomorrow's money supply and bank lending figures, and Friday's trade figures.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7680. September average 1.8122. Exchange rate index 147.7 against 146.4 six months ago.

The D-Mark rose against the dollar in Frankfurt. The US-currency fell to DM1.7765 from DM1.8015, but appeared to stabilise in a technical reaction to the sudden fall.

A further recovery does not appear to be out of the question for the dollar, but only because of the extent of yesterday's fall. Underlying sentiment points towards a further weakening.

The Bundesbank bought DM11.7m at the Frankfurt fixing as the dollar fell to DM1.7740, from DM1.8025 on Friday.

The dollar's fixing level was the lowest since May 20. The last time the West German central bank bought dollars at the fixing was September 9.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 222.7 against 222.8 six months ago.

The yen rose against the dollar in Tokyo, continuing pressure on the dollar seen in New York on Friday and the Middle East at the weekend. The comment by US Treasury Secretary, Mr James Baker, about the Paris currency agreement increased fears the G7 accord is unlikely to continue.

The dollars closed at Y141.35 in Tokyo, compared with Y142.35 on Friday, after recovering from a low of Y140.40.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2409	+1.84	+1.09	±1.5344
Danish Krone	7.85212	7.97745	+1.60	+0.85	±1.6404
German D-Mark	2.05853	2.07360	+0.73	−0.02	±1.0981
French Franc	6.90403	6.94006	+0.52	−0.23	±1.3674
Dutch Guilder	2.31943	2.33265	+0.57	−0.18	±1.5012
Irish Punt	0.768411	0.775353	+0.90	+0.15	±1.6684
Italian Lira	1,483.58	1500.23	+1.12	+0.82	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 19	Latest	Previous Close
£ Spot	1.6860-1.6870	1.6640-1.6670
1 month	0.26-0.24pm	0.25-0.24pm
3 months	0.42-0.38pm	0.43-0.40pm
12 months	1.30-1.20pm	1.43-1.33pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 19	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6790–1.6885	1.6800–1.6810	0.27-0.24cpm	1.82	0.42-0.38pm	0.95
Canada	2.1765-2.1890	2.1780-2.1790	0.20-0.10cpm	0.83	0.21-0.10pm	0.28
Netherlands	3.35¼-3.36¼	3.35¼-3.36¼	1½-1¼cpm	4.91	3⅞-3⅝pm	4.10
Belgium	62.10–62.50	62.20–62.30	20-15cpm	3.37	55-40pm	3.05
Denmark	11.45¼-11.52¼	11.49½-11.50½	½pm-½ore dis	−0.46	½pm-½dis	—
Ireland	1.1155-1.1190	1.1165-1.1175	0.12-0.06cpm	0.97	0.37-0.20pm	1.02

FINANCIAL FUTURES

Further storms hit Liffe

LAST WEEK'S storms assumed a secondary importance in the Liffe market yesterday as traders tried to cope with a record fall in UK equities and a similar decline in gilt prices.

Prices were marked down sharply as US equities and bond prices were sold because markets had lost confidence in the G7 accord following comments by Mr James Baker, US Treasury Secretary, criticising the recent rise in West German interest rates. The US Federal authorities were reluctant to match a rise in rates in West Germany and Japan and appeared to be prepared to let the dollar take the strain.

Mr Baker was openly critical of the Bundesbank after the recent rise in interest rates and claimed that action by the West German authorities appeared to against the spirit of the Louvre accord.

Agains this background dealers started Liffe trading facing a strong bear market. One look at the rates and it was devil take the hindmost, suggested one dealer, and Treasury bond futures finished well down.

Traders in UK gilts were caught in something of a quandry. It was impossible to ignore the dramatic fall on Wall Street but at the same time dealers were aware that the authorities had been keeping interest rates up and sterling down for the past two months.

The fall in gilt futures, although large, was seen as more sympathetic than fundamental and one dealer suggested that the market was treading water on quicksand, hoping to reach dry land before being sucked under.

The FT-SE contract took the brunt of the assault and fell by a record amount. The extent of the fall was exacerbated by Friday's chaos in the Stock Exchange, caused by bad weather. Early trading on Wall Street suggested that the shake out had some way to go before stabilising.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
104	7.02	7.51	0.06	0.41
106	5.13	6.14	0.17	1.04
108	3.24	4.43	0.28	1.33
110	1.62	3.28	1.02	2.18
112	0.61	2.26	2.01	3.16
114	0.25	1.40	3.29	4.30
116	0.10	1.06	5.14	5.60
118	0.04	0.44	7.08	7.34

Estimated volume total, Calls 5,513 Puts 6,233
Prev. day's open int: Calls 30,187 Puts 24,706

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
72	5.11	5.17	0.21	1.11
74	3.38	3.62	0.48	1.56
76	2.19	2.56	1.29	2.50
78	1.21	2.01	2.31	3.59
80	0.45	1.25	3.55	5.17
82	0.22	0.57	5.32	6.51
84	0.09	0.35	7.19	8.29
86	0.04	0.21	9.14	10.15

Estimated volume total, Calls 63 Puts 400
Previous day's open int: Calls 1,707 Puts 1,318

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
22750	0.00	0.53	31.65	32.18
23000	0.00	0.41	34.15	34.56
23250	0.00	0.31	36.65	36.96
23500	0.00	0.24	39.15	39.39
23750	0.00	0.18	41.65	41.83
24000	0.00	0.14	44.15	44.29
24250	0.00	0.10	46.65	46.75
24500	0.00	0.07	49.15	49.22

Estimated volume total, Calls 23 Puts 48
Previous day's open int: Calls 178 Puts 182

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6860	0.6875	0.6843	0.6741
Mar.	0.6948	0.6960	0.6925	0.6815
Jun.	0.7030	0.7030	0.7015	0.6889
Sept.	—	0.7100	—	0.6990

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Dec.	255.50	269.00	250.00	298.25
Mar.	260.00	274.00	252.00	301.80
Jun.	—	276.00	258.00	305.50
Sept.	—	265.50	262.00	308.50

16 Index appears today on Page 30

MONEY MARKETS

UK rates up despite firmer pound

INTEREST RATES were a little firmer in London yesterday. Most traders were still a little shell shocked after Friday's bad weather and the sharp fall in US equities and bonds.

Despite sterling's underlying strength, rates were a little firmer because it proved very difficult to ignore the record fall in US equities and bonds. However the fall in UK bonds and equities which seemed to be an inevitable follow on, had to be taken in context of sterling's overall improvement.

UK clearing bank base lending rate 10 per cent since August 7

Consequently some dealers were inclined to take an insular attitude, hoping that today's money supply figures and Friday's banking figures would provide sufficient reason to remainconfident about sterling.

Three-month interbank money was quoted at 10¼-10⅛ per cent. Overnight money traded betweeen11 per cent and 7 per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including bills maturing in official hands and a take up of Treasury bills together draining £781m and banks' balances brought forward £30m below target. These were partly offset by Exchequer transactions which added £475m.

The Bank gave assistance in the morning of £241m through outright purchases of £24m of eligible bank bills in band 3 at 9⅞ per cent and £217m in band 4 at 9¾ per cent.

The forecast was revised toa shortage of around £300m, before taking into account the morning help and the Bank gave additional assistance of £38m through outright purchases of eligible bank bills in band 4 at 9¾ per cent. Total help came to £279m. In Frankfurt the Bundesbank added liquidity to the money market through state-owned banks firstly at 3.8 per cent. This was seen as an attempt to answer criticism about the recent rise in interest rates in West Germany, particularly from US officials. However, some traders were less than convinced by the Bank's intentions and saw little prospect of any change in West German domestic policy.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 19, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.3316
Algeria	Dinar	7.8573
Andorra	French Franc	9.9775
	Spanish Peseta	196.25
Angola	Kwanza	49.56
Antigua	E. Caribbean $	4.54
Argentina	Austral	5.9038
Ghana	Cedi	293.277
Gibraltar	Gibraltar £	1.0
Greece	Drachma	230.54
Greenland	Danish Krone	11.4800
Grenada	E. Caribbean $	4.54
Guadaloupe	Local Franc	9.9775
Guam	U.S. $	1.6805
Panama	Balboa	1.6805
Papua New Guinea	Kina	1.4860
Paraguay	Guarani	539.71 / 1442.04
Peru	Intl	exc(o)26.80 / 33.55 / 48.77 / 68.79

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 19 1987					FRIDAY OCTOBER 16 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	159.10	−2.6	140.36	145.98	2.69	163.35	145.59	150.61	180.81	99.92	89.34
Austria (16)	100.84	−1.2	88.97	93.13	2.20	102.11	91.00	95.66	102.87	85.53	96.20
Belgium (48)	108.80	−9.2	95.99	99.95	4.69	119.86	106.82	111.43	134.89	96.19	91.00
Canada (129)	115.10	−9.0	101.54	108.05	2.77	126.52	112.76	118.91	141.78	100.00	97.41
Denmark (38)	118.50	−2.0	104.55	110.28	2.64	120.90	107.75	113.59	124.83	98.18	99.94
France (122)	93.14	−7.8	82.17	86.75	3.15	101.01	90.02	95.31	121.82	93.14	90.85
West Germany (93)	92.03	−5.8	81.19	85.02	2.21	97.75	87.12	91.52	104.93	84.00	92.39
Hong Kong (46)	133.50	−10.8	117.78	133.64	3.63	149.60	133.33	149.84	158.68	96.89	87.07
Ireland (14)	145.37	−5.0	128.25	136.19	3.27	153.02	136.38	144.80	160.22	99.50	79.99
Italy (95)	90.37	−5.2	79.73	86.78	2.16	95.29	84.92	92.51	112.11	84.22	105.95
Japan (458)	147.90	−1.7	130.48	132.48	0.51	150.39	134.03	135.70	161.28	100.00	91.17
Malaysia (36)	152.53	−11.5	134.57	148.24	2.46	172.33	153.58	167.65	193.64	98.24	101.57
Mexico (14)	352.93	−2.3	311.36	626.08	0.48	361.37	322.07	635.13	422.59	99.72	77.91
Netherland (37)	106.47	−9.3	93.93	97.06	4.56	117.44	104.66	108.64	131.41	99.65	95.08
New Zealand (23)	124.28	−3.5	109.65	101.06	2.94	128.80	114.79	105.27	138.99	83.93	80.15
Norway (24)	169.66	−4.1	149.68	150.49	1.80	176.99	157.74	158.61	185.01	100.00	103.88
Singapore (27)	142.78	−13.5	125.96	137.22	1.80	165.09	147.13	159.11	174.28	99.29	101.50
South Africa (61)	192.64	+2.3	169.95	140.39	2.99	188.31	167.83	137.23	198.09	100.00	95.20
Spain (43)	162.37	−0.6	143.25	143.49	2.78	163.41	145.64	145.40	168.81	100.00	96.85
Sweden (34)	124.02	−6.1	109.41	115.62	1.97	132.06	117.69	124.07	136.64	90.85	99.16
Switzerland (53)	97.10	−10.3	85.66	88.85	1.85	108.20	96.43	100.18	111.11	92.01	94.82
United Kingdom (335)	144.02	−9.0	127.05	127.05	3.53	158.32	141.10	141.10	162.87	99.65	92.00
USA (584)	92.83	−20.0	81.90	92.83	3.99	116.05	103.43	116.05	137.42	92.83	98.19
Europe (952)	116.90	−7.7	103.13	105.87	3.11	126.69	112.91	116.03	130.02	99.78	94.07
Pacific Basin (681)	147.72	−2.0	130.32	132.80	0.70	150.74	134.34	136.48	158.77	100.00	90.99
Euro–Pacific (1633)	135.44	−4.1	119.49	122.06	1.53	141.18	125.82	128.32	143.65	100.00	92.21
North America (713)	94.04	−19.4	82.96	93.73	3.91	116.62	103.93	116.24	137.55	94.04	98.15
Europe Ex. UK (617)	100.04	−6.5	88.26	92.62	2.73	107.03	95.39	100.29	111.97	98.02	96.34
Pacific Ex. Japan (223)	145.74	−6.1	128.58	136.74	2.95	155.28	138.39	146.17	164.03	99.92	89.28
World Ex. US (1837)	135.45	−4.1	119.50	122.09	1.59	141.30	125.93	128.40	143.38	100.00	92.40
World Ex. UK (2086)	116.50	−9.6	102.78	110.05	2.16	128.88	114.86	122.36	138.82	100.00	94.91
World Ex. So. Af. (2360)	118.49	−9.7	104.53	111.37	2.31	131.14	116.88	123.97	139.47	100.00	94.64
World Ex. Japan (1963)	105.11	−14.2	92.73	101.00	3.53	122.48	109.16	118.22	134.22	100.00	96.32
The World Index (2421)	118.96	−9.5	104.95	111.64	2.31	131.51	117.20	124.11	139.73	100.00	94.65

Base values: Dec 31, 1986 = 100

Excluding UK because of trading suspension October 16.

Figures for European Options were unavailable for this edition.

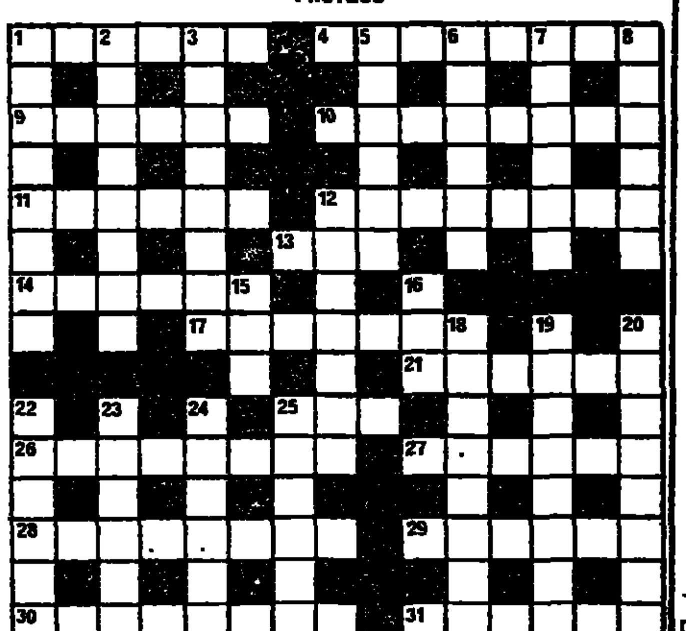
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co.	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp.	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambro Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst.	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co.	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No. 6,460

PROTEUS



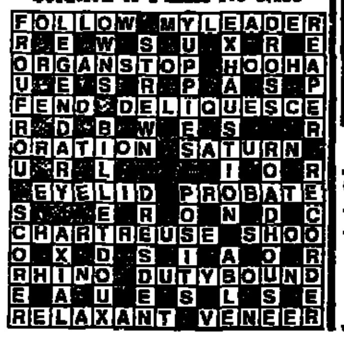
ACROSS

1 Journalist taking a knock over show (6)
4 Keen to get drug group leader (8)
9 Take away promotion (6)
10 One offering marriage to professional model (8)
11 False rumour in article about eccentric (6)
12 One interested in records girl put on table (8)
13 Object to last point (3)
14 Jacket used by smokers (6)
17 Misrepresent girl's legal wrong (7)
21 One who detects a certain type of bullet (6)
25 Bird of the mud-flats (3)
26 Appeal of having to dine in lobby (8)
27 Backwards like a bird (6)
28 Settled honestly (8)
29 Girl seeing damage to new hat (6)
30 They are soon over border in record time (8)
31 Priest showing unusual liveliness (6)

DOWN

1 Fruity exterior of unusually ripe fish (6)
2 Memo about bodyguard (8)
3 Turned off despite being amused (8)
5 Yarn of the sea-shore (6)
6 Still at the billiard-table or on stage? (2.4)
7 Drop in to see one; nothing gets in the way (6)
8 Turn to youth-leader in great distress (6)
12 Any small particle found in dissection (7)
15 Oil-producing outfit (3)
16 Skill discovered in unfamiliar theatre (3)
18 Go astray putting spring in lock (8)
19 Stage-player without a cent almost, gets the bird (8)
20 Negotiate inclusion of solution in leaflet (8)
22 Leaseholder getting letter about shelter (6)
23 Stiffness of leading performer at church (6)
24 Boredom of churchwomen over following strange diet (6)
25 He may have designs on metal, glass and so forth, lady (6)

Solution to Puzzle No 6,459



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	88.1	88.5	—	7.97
(Accum Units)	104.7	105.2	—	7.97
Global Fund	54.1	57.2	—	0.64
(Accum Units)	54.1	57.2	—	0.64
High Income Fund	56.0	59.2xd	—	4.32
(Accum Units)	57.5	60.8xd	—	4.32
High Interest Fund	42.3	44.7	—	9.27
(Accum Units)	43.5	46.0	—	9.27
Income	132.6	140.3	—	2.60
(Accum Units)	153.0	161.9	—	2.60
International	309.0	326.9	—	1.86
(Accum Units)	386.6	409.0	—	1.86
Japan	217.7	230.3	—	0.52
(Accum Units)	223.4	236.3	—	0.52
Pacific Fund	60.6	64.1	—	0.10
(Accum Units)	60.6	64.1	—	0.10
Recovery	339.9	359.6xd	—	2.26
(Accum Units)	372.1	393.7xd	—	2.26
UK Smaller Co's Fund	59.4	62.8xd	—	1.56
(Accum Units)	60.0	63.4xd	—	1.56

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	670.5	680.35	—	0.99

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

UK Income Fund	67.2	71.4	—	4.20
Accum Units	67.8	72.1	—	4.16
UK Growth Fund Acc	67.7	72.0	—	1.99
Global Income Fund	50.1	53.3	—	3.76
Accum Units	50.1	53.3	—	3.76
Global Growth Fund	50.3	53.5	—	0.47

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD. Tel: 0742 769842

Capital	—	—	—	—
(Accum Units)	—	—	—	—
Commodity & Gen.	—	—	—	—
(Accum Units)	—	—	—	—
European Growth	—	—	—	—
(Accum Units)	—	—	—	—
Extra High Inc	—	—	—	—
(Accum Units)	—	—	—	—
Gilt & Fxd. Int.	—	—	—	—

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	127.1	135.3	—	1.95
PM Income and Growth	108.1	114.0xd	—	2.88
PM N American Growth	52.3	55.6	—	0.36
PM European Growth	52.6	55.9	—	0.56
PM Japan Growth	72.6	77.3	—	0.35
PM Overseas Growth	54.6	58.0	—	0.43

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	85.9	90.9	—	0.34
Holborn Equity Income	79.9	83.9	—	3.07
Holborn Equity Tst	615.1	650.8xd	—	2.05
Holborn European Tst	127.7	135.1	—	0.61
Holborn Premier Inc	207.9	216.2	—	2.20
Holborn High Inc Tst	93.4	98.8xd	—	4.97
Holborn Intl Grth Tst	125.7	133.0	—	0.66
Holborn Intl Sm Cos	48.2	51.0	—	0.05
Holborn Japanese Tst	145.0	153.4xd	—	0.04
Holborn N. Amer. Tst	91.8	97.1	—	0.50
Holborn Sm Cos Tst	86.2	91.2	—	1.28
Holborn Spec Sits Tst	114.1	120.7	—	1.27
Holborn UK Growth Tst	122.5	129.6	—	1.44

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.8	733.2xd	—	1.38
Quadrant Income	353.9	374.6	—	3.53
Quadrant Intl. Fund	461.1	488.0	—	1.05
Quadrant Spec. Sits.	495.4	524.3xd	—	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	231.9	246.6xd	-20.1	2.44
Reliance Unit Tst (Inc)	169.9	180.6xd	-30.1	1.46
Reliance UK Tst (Acc)	229.6	244.2	-13.8	1.46

Rossberg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.9	52.4xd	—	—

N.M. Rothschild Fund Mgmt

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Inst.	224.8			—
Do. Accum	277.6			—
Guaranteed Inst.	159.4			—
Do. Accum	196.9			—
International Inst.	507.0			—
Do. Accum	625.6			—
Index Lk Gilt Inst.	128.8			—
Do. Accum	159.0			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	323.4		+0.7	—
Property Pens.	439.1		+1.0	—
Equity	379.7		-11.6	—
Equity Pens.	865.2		-75.3	—
Money Market	294.1		-2.6	—
Money Mkt. Pens.	531.1		-4.6	—
Deposit	240.5		+0.0	—
Deposit Pens.	306.2		+0.1	—
Managed	298.7		-9.6	—
Managed Pens.	575.6		-27.1	—
Intl. Equity	352.8		-9.1	—
Do. Pens.	570.2		-21.0	—
Intl. Managed	322.5		-9.2	—
Do. Pens.	477.6		-20.0	—
North American	124.5		-4.8	—
Do. Pens.	139.2		-7.6	—
Far East	302.7		-2.9	—
Do. Pens.	450.1		-6.1	—
Intl. Currency	168.2		-0.2	—
Do. Pens.	216.6		-0.4	—
Index Linked	118.9		-2.0	—
S & C Managed Fd.	138.7		-4.0	—
S & C Pens Mngd Fd	112.3		-4.7	—
Bell Chambers	130.0		-1.2	—
Laran & Loran	122.9		+0.0	—
Afton Mngd Fnd	160.9		-1.3	—
Trustlink Life Funds				
Per Worldwide Rec.	166.5		-7.3	—
Per Far East Growth	218.3		-4.0	—
Per Intl Growth	162.7		-4.6	—
Per Income	167.5		-7.7	—
Per Emerging Co's	159.6		-4.6	—
Per American Growth	139.3		-1.5	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	57.8	60.9	(z)	—
Stock Market Mngd Fund	59.6	62.8	(z)	—
County Fund	65.5	69.0	(z)	—
International Fund	54.4	57.3	(z)	—
European Fund	57.5	60.6	(z)	—
North American Fund	47.5	50.1	(z)	—
Pacific Fund	66.2	69.7	(z)	—
Property Fund	53.0	55.8	(z)	—
Fixed Interest Funds	47.7	50.3	(z)	—
Index Linked Sec Fund	44.0	46.4	(z)	—
Deposit Fund	51.7	54.5	(z)	—
NUAM Retirement Plans				
Mixed Fund	62.6	65.9	(z)	—
UK Ordinary Share	76.7	80.8	(z)	—
International Fund	55.6	58.6	(z)	—
Property Fund	53.0	55.8	(z)	—
Fixed Interest Fund	49.5	52.2	(z)	—
Index Linked Sec Fund	44.4	46.8	(z)	—
Deposit Fund	53.8	56.7	(z)	—
NUAM (IRF)				
Managed Fund	797.6	839.6	(z)	—
Equity Fund	1755.3	1847.9	(z)	—
Property Fund	329.5	346.9	(z)	—
Fixed Interest Fund	351.7	370.3	(z)	—
Deposit Fund	211.3	222.5	(z)	—
International Fund	141.3	151.0	(z)	—
Index Linked Sec Fund	44.1	46.5	(z)	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster & Unit-Linked Plan				
Fixed Interest Fund	250.8	264.0	(z)	—
Index-Linked Sec Fund	126.4	133.0	(z)	—
Ordinary Share Fund	565.0	594.7	(z)	—
International Fund	147.3	155.0	(z)	—
Property Fund	164.1	172.7	(z)	—
Deposit Fund	168.5	177.3	(z)	—
Mixed Fund	353.9	372.5	(z)	—
Norwich Units Oct 15	1047.9		(z)	—

*Prices as at June 30.

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101¾	100	Treas. 12pc 1987	100xd		—	—
99	97	Treas 7¾pc 1985-88‡‡	99		7.79	9.25
102¼	99	Exch 10½pc '88	100xd		10.49	10.47
101	98	Treas 9¾pc Cv '88	99		9.80	10.48
97	93	Transport 3pc '78-88	96		3.11	8.049
101¾	98	Treas. 9½pc '88	99xd		9.58	10.34
105	101	Treas 11½pc 1989	101		11.36	10.39
102	97	Treas 9½pc Cnv 1989	98xd		9.62	10.44
94	89¼	Treas 3pc 1989	92xd		3.24	8.01
104	99	Treas 10½pc 1989	99		10.51	10.55
103	98	Exch 10pc 1989	98		10.10	10.55
105¼	100	Exch 11pc 1989	100		10.91	10.50
95	89	Treas 5pc 1986-89	92xd		5.40	9.15
108	99	Exch 10¼pcCv '89	99xd		10.32	10.64
111	104	Treas 13pc 1990‡‡	104		12.40	10.45
106	100	Exch 11pc 1990‡‡	100		10.92	10.56
110	105	Exch. 12½pc 1990	105xd		12.01	10.54
91	84	Treas. 3pc 1990	88xd		3.40	8.25
100	93	Treas 8¼pc 1987-90‡‡	94		8.66	10.32
105	97	Treas. 10pcCv 1990	98xd		10.15	10.57
89	81	Exch 2½pc 1990	85xd		2.93	7.92
110½	102	Treas 11¾pc 1991	103		11.42	10.61
95	87¼	Funding 5¾pc '87-91‡‡	88xd		6.48	9.65
89	80¼	Treas. 3pc 1991	84xd		3.57	8.23
110	98	Treas 10pc Cv '91‡‡	98	-1	10.15	10.47
109	101	Exch. 11pc 1991	101		10.85	10.56
96	91	Treas. 8pc 1991	91			
116	107	Treas 12¾pc 1992‡‡	107		11.90	10.57
106	97	Treas 10pc 1992	98		10.20	10.56
99	90	Treas. 8pc 1992‡‡	91		8.70	10.25
108	99	Treas 10½pc Cv 1992‡‡	99xd		10.53	10.57

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27¼	Rep NY Corpn $5	29⅝	–2¼	$1.16	—	2.4
18¾	11[illegible]	Rockwell Intl $1	11[illegible]	–1[illegible]	66c	—	3.4
30[illegible]	22[illegible]	Sara Lee $1	22[illegible]	–1[illegible]	$1.00	—	2.7
11[illegible]	8[illegible]	Saul (B. F.) $1	10⅞	–[illegible]	20c	—	1.1
27½	2[illegible]	Southwestern Bell $1	23	–2½	h$2.32	—	6.2
22⅞	14[illegible]	Staley Continental	16½	–1¼	80c	—	3.0
44[illegible]	28[illegible]	Sun Co. Inc. $1	28[illegible]	–4⅛	$3.00	—	6.4
42¾	28[illegible]	TRW Inc. $0.625	31[illegible]	–2[illegible]	h$1.60	—	3.1
37⅝	25[illegible]	Tenneco $5	32[illegible]	–3[illegible]	$3.04	—	5.7
220	149½	Do. 10pc Ln.Stk. 91-5	220	.....	10%	—	4.7
29⅝	17[illegible]	Texaco $6.25	21[illegible]	–[illegible]	$3.00	—	8.5
74[illegible]	47⅛	Time Inc. $1	57[illegible]	–4[illegible]	$1.00	—	1.1
19⅝	11	Tracor $0.33	19	....	40c	—	1.3
30⅝	18⅞	Transamerica $1	21¼	–2⅛	$1.84	—	5.2
14⅝	1¼	Transworld Corp $5	10[illegible]	–¼	20c	—	1.2
27⅝	14⅞	TRINOVA Corp.	19⅝	–1⅛	h$1.00	—	3.1
24[illegible]	15[illegible]	USX $1	20[illegible]	–1[illegible]	$1.20	—	3.6
19⅝	15[illegible]	Union Carbide $1	16¼	–1[illegible]	$1.50	—	5.7
37⅞	26⅞	Utd. Technologies	28[illegible]	–3[illegible]	$1.40	—	3.0
38⅝	27	US West	35	+1¼	$3.28	—	5.7
30½	17⅛	Waste Management $1	23¼	–1⅛	—	—	—
£31¼	£18⅞	Whirlpool $1.0	£18⅞	–⅛	—	—	—
37⅝	25[illegible]	Woolworth $3½	25[illegible]	–3[illegible]	$1.32	—	3.2

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

41	15	Do. Warrants	16	-1	—	—	—	—
186	101	Far East Res. 10p	146	-14	—	—	—	—
110	30	Gardner (J.) 5p	100	-6	R1.25	2.3	1.7	34.6
53	29	Honorbilt Group 5p	41	-8	—	—	—	34.5
133	108	Leading Leisure 5p	108	-13	0.9	3.1	1.1	31.2
90	68	Lynx Tech. 5p	75	-12	b—	—	—	8.6
180	115	Medirace 10p	163	-16	—	—	—	—
98	44	♥Ovoca Gold IR0.02	83	-8	—	—	—	—
82	17	Publishing Hldgs.5p	58xr	-7	—	—	—	34.9
87	45½	Theme Holdings	68	-12	1.0	1.9	2.0	36.5
210	140	UPL Group 10p	200	-7	L2.41	2.8	1.7	—
140	111	Unit Group	125	-3	R4.6	2.5	5.1	(8.9)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	95	-3	Fin. 13% 97/02	£109¾	—
Craig & Rose £1	738	-25	Arnotts	390	—
Finlay Pkg. 5p	115	-1	CPI Hldgs	94	—
Holt (Jos) 25p	£11½xd	—	Carrol Inds.	190	—
IoM Stm. £1	365	—	Dublin Gas	40g	—
			Hall (R. & H.)	175	—
IRISH			Helton Hldgs.	72	—
Fund 11¼% 1988	£100¾	—	Irish Ropes	185	—
Nat. 9¾% 84/89	£98⅞	—	Norish	345	—
			Unidare	440	—

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	23
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00 am two business days earlier.

Record Equity fall follows Wall Street-led weakness in international markets

The backwash from Wall Street overwhelmed the UK securities markets yesterday, bringing a record setback in equities and widespread losses in British Government bonds. Both sectors closed above their lowest levels after a dramatic day's trading, which also involved catching up on the session effectively lost on Friday because of the bad weather in southern England.

The equity market opened with widespread and heavy falls as marketmakers braced themselves for the reaction to Friday's huge loss on Wall Street. At first they were able to ward off the sellers but mid-morning saw blocks of blue chips sold on to an unwilling market. When New York opened with a 200 point fall in the Dow, London prices slumped afresh, to show a drop of more than 300 points on the FT-SE 100 at the day's worst point.

The closing rally left the FT-SE 100 with a net loss of 249.6 at 2052.3, easily its largest one day fall. At 1629.2, the FT Ordinary Index lost more than 10 per cent, far outstripping the previous record loss of 7.1 per cent on March 1 1974. More than 2,200 FT-quoted shares recorded falls on the session, against about 72 with gains. Increased volume was indicated by a leap in the total of SEAQ bargains to 56,625, compared with around 35,000 daily last week.

At mid-session, when the City heard reports of redemptions by unit trust holders, equities fell into a "vicious pandemonium", according to one trader. Marketmakers were briefly unable to update their prices and the trading mood was described as "quite frightening".

The strength of the pound, reflecting the slide in the US dollar, finally upset the major exporting stocks. Losses in ICI, Glaxo and Reuters ranged from £1 to nearly £2.

At the same time, the firm pound was no longer any help to the Government bond sector, which proved unable to stand out against the heavy falls in New York bonds.

After opening with losses of ½, Gilts extended their losses to a net 2 points as traders dumped the stocks which they had built up over the previous week. The market was essentially "following New York", as one trader put it. However, prices trimmed their losses before the close, when the long-dated issues showed net losses of 1¾ and the mediums 1⅛.

But Index-linked also had a poor session, suggesting that worries over UK inflation prospects remain subdued. Losses of nearly one point in the IL issues reflected attempts to sell stock on to a poor market.

Overall, confidence in the outlook for the UK economy appeared still sound, if somewhat shaken. This week brings a batch of economic data, beginning today with the latest UK money supply and bank lending figures which will be closely scanned in the marketplace - and there is always the Wall Street mood.

The insurance sector carried the additional burden of the prospect of huge claims arising from the widespread damage throughout the south of the country caused last Thursday night and Friday, and reports of major floods in the west of the country over the weekend.

After the substantial falls registered during last Friday's limited trading, insurance shares were battered throughout a session of substantial activity. Compositesinitially bore the brunt of the selling. **Sun Alliance**, perceived by analysts to have the widest exposure to storm damage, slumped 165 to 935p at one point before steadying and closing a net 152 lower at 948p after a turnover of more than 2.3m shares. **Royal Insurance**, also regarded as having a major exposure to the probable huge claims, dropped back to 450p prior to ending the day 42 off at 493p; turnover here exceeded 2m shares. **General Accident** closed 72 down at 953p while **Guardian Royal Exchange** lost 79½ at 933p and **Commercial Union** retreated 14 to 417p,the latter having been as low as 400p during the day.

Life assurances and brokers also suffered badly. In the former, **Abbey Life** were 46 cheaper at 279p and **Legal & General** 45 down at 312p. **Prudential** fell 109½ to 978p and **Pearl** 51 to 443p.

The big-four clearers were in headlong retreat before coming off the day's lowest levels towards the close. **Barclays** fell 84 to 515p and **NatWest** 91 to 658p while **Midland** - where speculators had hung on despite fading bid hopes after the Governor of the Bank of England's recent statementon takeovers in the sector- slumped 51 to 463p. Merchant banks with securities trading operations took a severe pounding with **Morgan Grenfell** 84 easier at 464p and **Kleinwort Benson** 79 down at 484p.

Lloyds broker **Lloyd Thompson** staged a successful debut despite the weak state of the market; the shares, placed at 170p, opened at 186p and touched 191p prior to closing at 188p.

The Brewery sector was decidedly flat although turnover was little above normal levels. **Allied-Lyons** dropped 37 to 388p, **Bass** fell 39 to 906p and **Guinness** slipped 34 to 327p. Recently-firm **Whitbread "A"** came back 18 to 305p, and the losses elsewhere were also heavyr. **Vaux** gave up 31 to 549p, **Buckley's** dipped 17 to 224p and **Boddington**, easier last week following withdrawal of the intimated offer from Midsummer Leisure, reacted further to close 25 down at 163p.

Although several pence above the worst at the close, leading Building issues sustained unprecedented one-day falls. **Blue Circle** lost 35 at 438p, **Rugby** 19 at 269p and **RMC** 35 at 498p. **Tarmac**, on a turnover of 3.1m shares, dipped 37 to 277p while **Redland**, in which only 1m shares changed hands, dropped 43 to 482p. Contracting and Construction issues fared no better. **Barratt Developments**, the subject of vague bid rumours recently, came back 22 to 222p and **Costain** dropped 40 to 321p. **John Mowlem** were 36 down at 467p and **George Wimpey** 25 lower at 253p.

ICI, on a turnover of some 4.6m shares, dipped to £13⅞ prior to closing $1\frac{11}{16}$ points lower at £14$\frac{1}{16}$. Other casualties in the Chemical sector included **Laporte**, 32 down at 539p, and **Yorkshire**, 23 lower at 338p. **Coalite** dipped 28½ to 384½p and **Allied Colloids** fell 34½ to 134½p. Bucking the trend, speculative counter **James Halstead** added 3 to 308p.

The market collapse, coming on top of a disappointing CBI/FT distributive trades survey and the provisional retail sales figure for September left stores issues with heavy losses across the board.

At the close **GUS 'A'** showed a fall of around ¾ at £13⅝, while **Marks and Spencer** lost 20 at 231p, after 220p, and **Sears** 13½ at 156½p. **Woolworth** dropped 36 to 338p. Among a wide-ranging list of major casualties in the electronics sector, **GEC** fell away to around 195p before closing a net 24 off at 208p, after a turnover of 17m shares. **Plessey** dropped 22 to 194p, **British Telecom** 17 to 243p and **Thorn EMI** 52 to 665p, the last-named despite comment in the weekend press of the possibilities of a break-up bid for the group. Hopes of possible counters to the proposed merger faded away in **Ferranti** - 18 lower at 115p - and **International Signal** - 21 off at 203p.

Cable & Wireless fell 60 to 437p, after 420p, despite details of the re-structuring of the group's 80 per cent owned Hong Kong Telephone and Cable & Wireless Hong Kong.

Engineers failed to escape the rout. **Hawker**, scheduled to reveal interim figures tomorrow, tumbled 61 to 522p, but the volume of business was small. A good trade developed in **Rolls-Royce** (some 14m shares changed hands) which closed 22 down at 184p while **GKN** came back 34 to 372p. Recent high-flier, **Camford**, reacted smartly to finish 46 cheaper at 197p while **J. Dickie**, bought recently on stakebuilding rumours, tumbled 30 to 195p. **Birmid Qualcast** dipped 27½ to 258½p and **TI Group** were noteworthy for a reaction of 47 to 406p.

Foods staged a partial recovery late in the session. **Tate and Lyle**, down to 814p at one point, settled 74 lower at 828p. **Unigate** were finally 28 off at 351p, after 340p, while recent takeover favourite **Ranks Hovis McDougall**, after dipping to 330p, finished 25 down on balance at 335p. **Hillsdown** rallied strongly from 316p to close 28 down at 328p. **Rowntree** were a shade off the bottom at 504p, down 47, but **Cadbury Schweppes**, in which over 5m shares were traded, finished 32 easier at 245p, virtually the day's lowest level.

Trusthouse Forte, in which 7.3m shares changed hands, dipped to 228p prior to closing 40½ down at 238½p. **Grand Metropolitan**, over 4m shares traded, finished 51 lower at 519p, after 499p. Turnover in **Ladbroke** was small, but the price lost 35½ to 412½p.

International stocks recorded substantial falls, paticularly those with a US following. **Hanson Trust** were actively traded at 144½p, down 27½p, while **Glaxo** fell 1½ to £12½ in a volume of around 7.8m shares. **Fisons** dipped 69 to 294p and **Beecham** 77 to 464p. **Reuters** were a relatively quiet market (around 2.4m shares changed hands) but closed 139½p down at 630½p. **Wellcome**, one of the anti/Aids high-fliers, tumbled 87 to 389p while **London International** gave up 51 at 297p.

Reed International, in which Mr Rupert Murdoch recently acquired a small stake, fell 70 to 510p while **Pearson** dipped 71½ to 935p. News of the proposed acquisition of Belref, Belgium's leading refactories company, failed to help, **Hepworth Ceramic** which closed 32 lower at 245p. Among the recent privatisation issues, a fairly brisk trade developed in **British Airways** (10m), down 31 down at 187p. Elsewhere, **British Aerospace** featured a fall of 56 at 475p and **Cookson** lost 103 at 682p. **Bridon**, an old takeover favourite, gave up 20½ to 170½.

Jaguar were also affected by currency influences and sustained a record fall of 75 at 505p, although the business volume was less than 3m shares. **Rover** dropped 21 to 67p and the sorry tale was repeated among Motor Component issues. **Lucas Industries** plunged 66 to 699p and **Dowty** lost 33 to 231p. **Lex Service** also went into reverse, falling 47 to 470p.

Popular Newspaper issues tumbled, **Associated** closing 77 lower at 579p and **United** ending 79 down 541p. Leading Paper/Printings suffered a similar fate, **BPCC** losing 50 to 287½p and **Bunzl** 38 to 214p. The bad experience extended to stocks which, for one reason or another, have risen strongly over the past few weeks. **Blenheim Exhibitions** dropped 150 to 745p and **Eucalyptus Pulp** were 200 weaker at 800p. Advertising Agencies feated a major reaction in **Saatchi & Saatchi**, 79 down at 474p.

The Property leaders staged a late rally and closed well above the day's lowest. **Land Securities**, down to 498p, picked up to end at 523p for a loss of 50 on balance. **MEPC** closed 63 lower at 480p having been down to 463p at one point. **Hammerson A** were finally 42 easier on balance at 643p, after 635p, while **Slough Estates** settled 34 off at 254p, after 252p. **British Land** lost 36 at 284p and **Peachey** 15 at 419p.

In common with other international stocks, **Bat Industries** fell away sharply to close 90 cheaper at 573p.

Courtaulds, followed the other leaders downwards, closing 36 cheaper at 472p. Widespread losses in other textile issues included **R. Smallshaw** which reacted 80 to 105p in a limited market.

Good first-half results failed to support **Aitken Hume**, which came back 20 to 137p. Recent high-flier **Smith New Court** lost momentum and finished 63 lower at 298p while **M & G** surrendered most of last week's rise at 419p, down 42. Investment Trusts went easier across the board with sentiment adversely affected by the fall in underlying securities.

British Gas, where turnover approoached 30m shares, dropped 19 to 148p, while **BP** fell 33 to 317p.

Overseas Traders displayed heavy losses, ranging to 73 in the case of **Inchcape**, at 865p. **Harrisons & Crosfield** dropped 61 to 657p and **Lonrho** 39½ to 308½.

FINANCIAL TIMES STOCK INDICES

	Oct. 19	Oct. 15	Oct. 14	Oct. 13	Oct. 12	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	83.73	84.90	85.65	85.78	85.63	82.26	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.05	91.50	91.67	92.27	92.24	88.89	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1629.2	1812.9	1834.7	1847.4	1835.2	1264.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	444.2	436.3	438.2	447.6	452.3	288.9	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.70	3.32	3.28	3.26	3.27	4.40				
Earnings Yld.%(full)	9.07	8.15	8.06	8.00	8.02	10.13				
P/E Ratio (net) (*)	13.49	15.01	15.17	15.28	15.24	12.10				
SEAQ Bargains (5 pm)	56,790	34,797	35,468	37,493	38,499	—				
Equity Turnover (£m)	—	1629.09	1735.08	4133.29	1267.34	619.59				
Equity Bargains	—	39,910	43,062	44,576	53,280	54,137				
Shares Traded (ml)	—	514.8	673.2	522.7	541.2	381.5				

S.E. ACTIVITY Indices	Oct. 15	Oct. 14
Gilt Edged Bargains	121.5	116.1
Equity Bargains	258.6	279.0
Equity Value	3292.8	3507.0
5-Day Average		
Gilt Edged Bargains	111.4	108.1
Equity Bargains	307.0	321.7
Equity Value	4729.6	4230.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1711.4	1711.0	1653.5	1641.4	1605.8	1597.7	1584.1

Day's High 1711.4 Day's Low 1584.1 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=13.30.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (3)

CHEMICALS (1) Halstead (J.), INDUSTRIALS (1) Oy Wartsila, MINES (1) Hill Minerals.

NEW LOWS (191)

BRITISH FUNDS (82), INT. BANK & O'SEAS GOVT. STLG. ISSUES (10), LOANS (1), AMERICANS (22), CANADIANS (7), BANKS (6), BREWERS (1), CHEMICALS (2), STORES (4), ELECTRICALS (7), ENGINEERING (1), FOODS (2), INDUSTRIALS (6), INSURANCE (7), MOTORS (2), NEWSPAPERS (2), PAPERS (1), PROPERTY (1), OILS (2), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (1), THIRD MARKET (2).

Traditional Options

- First dealings Oct 19
- Last dealings Oct 31
- Last declarations Jan 21
- For Settlement Feb 1

For rate indications see end of London Share Service

Stocks dealt in for the call included Control Securities, Pilkington, Scottish and Newcastle, Lysander, Eagle Trust,North Kalgurli, Astra Holdings, London Securities, Abaco, B. Elliott, Tranwood, Amstrad, Norfolk Capital, Dares Estates, Midland Bank, Boots, Barratt Developments, GEC and ICL.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,200	179	−16
Allied Lyons	8,700	388	−37
*Amstrad	6,300	149	−20
Argyll Group	3,800	188	−27
Assoc. Brit. Foods	855	348	−11
BAA	4,300	137½	−11½
BAT	7,800	573	−90
BET	1,700	256	−42
BICC	2,100	375	−31
BOC	1,100	481	−45
BPB Inds	2,100	303	−35
BPCC	2,400	293	−50
BTR	4,000	329	−31
Barclays	4,000	515	−84
Bass	448	906	−39
Beecham	3,600	464	−77
Blue Arrow	3,900	150	−19
Blue Circle	2,200	438	−35
Boots	7,400	277	−20
Brit. Airways	10,000	187	−31
Brit. Aero	3,100	475	−56
Brit. & Comm.	637	450	−63
British Gas	28,000	149	−18
Britoil	3,400	281	−34
BP	15,000	317	−33
Brit. Telecom	14,000	243	−17
Bunzl	2,000	214	−38
Burton	4,700	267	−31
Cable & Wire	10,000	437	−60
Cadbury Schwps	5,400	245	−32
Coats Viyella	1,600	356	−47
Comm. Union	11,000	417	−14
Cons. Gold	1,300	£13½	−¼
Cookson	769	682	−103
Courtaulds	2,000	472	−36
Dee Corpn	4,100	215	−11
Dixons Group	3,500	358	−32
English China Clays	773	524	−39
Fisons	4,300	314	−49
Gen. Accident	660	953	−72
Gen. Elect.	17,000	208	−24
Glaxo	7,500	£12½	−1½
Globe Investment	532	172½	−15½
Granada	1,100	332	−30
Grand Met	4,400	519	−51
GUS "A"	609	£13⅝	−¾
Guardian R.E.	1,000	933	−79½
GKN	1,700	372	−34
Guinness	3,400	327	−34
Hammerson	506	643	−42
Hanson Trust	18,800	144½	−27½
Hawker Sidd	761	522	−61
Hillsdown Hldgs	3,300	328	−28
ICI	5,200	£14$\frac{1}{16}$	−$1\frac{11}{16}$
Jaguar	2,900	505	−75
Ladbroke	663	412½	−35½
Land Securities	2,700	523	−50
Legal & Gen.	2,800	312	−45
Lloyds Bank	2,900	327	−30
LASMO	275	328	−32
Lonrho	3,300	308½	−39½
Lucas	441	699	−66
MEPC	1,100	480	−63
Marks & Spencer	8,000	231	−20
Midland Bank	5,200	463	−51
Natwest Bank	2,800	658	−91
Next	2,700	327	−34
Pearson	1,300	935	−71½
P & O	957	634	−54
Pilkington Bros	6,300	288	−28
Plessey	12,000	194	−22
Prudential	992	978	−109½
Racal	9,900	296	−34
Rank Org.	635	657	−58
RHM	1,600	335	−25
Reckitt & Col	270	950	−87½
Redland	1,100	482	−43
Reed Intl	1,700	510	−70
Reuters	2,200	630½	−139½
RTZ	1,800	£11⅛	−$1\frac{11}{32}$
Rolls-Royce	13,000	184	−22
Rothmans Intl	3,800	464	−29
Rowntree	372	504	−47
Ryl Bank Scotland	1,600	380	−38
Royal Insurance	3,900	493	−42
STC	3,800	271	−36
Sainsbury	2,600	243	−17
Scott & Newcastle	11,000	243½	−15½
Sears	6,150	156½	−13½
Sedgwick	2,200	252	−26
Shell Trans	3,800	£11⅝	−1$\frac{1}{32}$
Smith & Nephew	2,200	155	−26
Standard Chart	512	709	−80
Storehouse	7,000	356	−36
Sun Alliance	2,600	948	−152
TSB	11,000	133	−13
Tarmac	3,800	277	−37
Tesco	6,300	176	−11
Thorn EMI	4,300	665	−52
Trafalgar House	2,700	410	−25
T'house Forte	7,800	238½	−40½
Ultramar	2,600	270	−33
Unilever	2,600	508	−85
United Biscuits	2,500	297	−29
Wellcome	3,400	389	−87
Whitbread "A"	2,200	305	−18
Woolworth	4,200	338	−36

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	112	0
Corporations, Dominion and Foreign Bonds	3	24	28
Industrials	29	1,379	178
Financial and Properties	9	543	78
Oils	3	83	28
Plantations	0	10	4
Mines	21	52	122
Others	10	215	43
Totals	75	2,418	481

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Monday October 19 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*370)	360	12	27	—	4	18	—
	390	3	13	23	27	33	40
	420	1	7	15	55	60	62
Brit. Airways (*179)	170	16	—	—	2	—	—
	180	7	24	34	8	12	17
	190	3	—	—	13	—	—

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*326)	300	32	51	65	6	13	19
	330	13	32	47	16	25	35
	360	4	21	34	39	40	48
Plessey (*188)	180	17	23	29	9	15	16
	200	6	15	19	19	27	28
	220	2	8	14	35	37	42

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30pm
October 19

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

Indices

NEW YORK DOW JONES

LONDON – Most Active Stocks
Monday, October 19, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	28.0m	140	−18	Rls Ryce	13.0m	184	−22
Burmah Tr	18.8m	144½	−27½	Plessey	12.0m	194	−22
Gen Elect	17.8m	208	−24	Comm Union	11.8m	417	−14
BP	15.0m	317	−33	Scott & Newc	11.8m	243½	−15½
Brit Telecom	14.0m	242	−17	TSB	11.0m	133	−13

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Pacificorp	11,384,500	38¾	− 3	IBM	4,817,000	120	−14½
Cincinnati G & E	8,826,500	24⅛	− 2⅜	American Exprss	3,789,100	26⅞	− 4⅛
AT & T	7,682,400	27	− 3⅛	Ford Motor Co	3,712,000	78½	− 7½
General Elect	5,273,200	45⅛	5½	Chrysler Corp	3,337,000	29½	− 3½
Exxon	5,811,600	37⅞	5¾	Gillette	3,312,600	28⅞	− 4⅝

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

—	—	—

FALLS:

Amstrad	149	−20
BAT Inds.	573	−90
Barclays	515	−84
Beecham	464	−77
BP	317	−33
BPCC	293	−50
Fisons	314	−49
GEC	208	−24
Glaxo	£12½	−1½
Grand Met.	519	−51
Guinness	327	−34
Hawk, Sidd.	522	−61
ICI	£14⅛	−1⅞
Jaguar	505	−75
Lnd Secs	523	−50
Lgl & Gen	312	−45
Lucas Inds.	699	−66
MEPC	480	−63
Mrks & Spncr	231	−20
Redland	482	−43
Reed Intl.	510	−70
Rlls Ryce	184	−22
Royal Ins.	493	−42
Smith Nw Crt	298	−63
Sun All.	948	−152
Tate & Lyle	828	−74
T'House Forte	238½	−40½
Utd News	541	−79
Wellcome	389	−87

Prices at 3.00pm, October 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	1.9	17	349	28¾	28¾	28¾	−4⅞
27	9⅝	AGS s			15	1106	18⅞	16¼	16½	−3½
10½	6¾	AMCA				41	9⅝	9¼	9¼	−⅛
9⅝	5⅝	AM Intl			60	1254	5⅝	d	4¾	5½
65½	47½	AMR			13	3954	46¾	d43⅞	44	−4⅞
12¼	8½	ARX s			9	443	9⅝	d	8⅞	8⅝
73½	34⅞	ASA	2a	2.9		1496	70½	68⅞	69	+4⅛
22¾	9⅞	AVX			30	511	16⅝	15	15⅛	−2
67	42½	AbtLab	1	2.2	17	7993	49	43	45	−7
28	23¼	Abitibi g				36	25	23¼	23¼	−1⅞
16¾	9¼	AcmeC	.40	3.3	12	181	12⅞	12	12	−1
10½	6⅛	AcmeE	.32b	3.6	55	71	9	8⅞	8⅞	
23⅞	19	AdaEx	3.30e	17.		334	19¾	d18¾	19	−1⅞
19½	10	AdmM s	.24	2.3	8	152	10¾	10⅛	10¼	−1
24⅞	13⅛	AMD				4363	16⅛	14⅞	15	−3
11⅞	5¼	Adobe				152	8	7¾	7⅞	−⅝
20½	14¾	Adob pf	1.84	10.		12	18⅝	18⅝	18⅝	−½
21⅞	17	Adob pf	2.40	12.		2	20	20	20	−¼
15	9⅞	Advest	.12a	1.3	7	271	9½	d	9	9
68¼	53	AetnLf	2.76	5.1	8	4022	57¼	53¾	54	−5
63½	30⅞	AflPb s	.32	.6	8	1030	54¼	53½	53¾	−5¼
26⅞	18⅝	Ahmans	.88	5.1	6	6313	18½	d16⅝	17⅛	−1⅞
5⅞	2⅞	Aileen				231	3⅞	3	3	−⅛
53⅞	32⅞	AirPrd	1	2.4	18	1332	43	41⅛	41½	−3⅞
36	20½	AirbFrt	.60	2.7	10	76	23	22	22⅝	−1
16½	7⅞	Airgas n			18	155	12¾	10¾	11	−2¼
19⅞	16¼	AirleaseL	1.11e	13.		93	16½	d16	16	−⅜
100¼	8	AlaP dpf	.87	11.	58	8⅛	d	7¾	7¾	−⅜
104	77	AlaP pf	8.16	11.		z10	76	d76	76	−1
98½	77	AlaP pf	8.28	10.		z200	79	79	79	
28¼	14¾	Alberto	.24	1.1	18	99	22⅞	21½	21½	−1¾

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27½	18⅝	WnU pfC				1	18⅝	d18⅝	18⅝	−⅜
3½	1¾	WnU pfS				6	2¼	2¼	2¼	−⅛
6	2⅜	WnU pfE				2	2¾	2¾	2¾	−⅛
75	54¼	WstgE	1.72	3.1	11	4939	57	d51	56	−4½
37½	23⅝	Wstvc s			14	714	30	28½	28⅝	−3⅛
60	35⅝	Weyerh	1.50	3.8	13	3341	40⅝	40	40	−6¼
11⅞	5⅝	vjWhPit				297	9⅝	8¾	9⅛	+⅛
40⅞	31⅝	Whrlpl s	1.10	3.8	11	2930	30¼	d28¾	29⅛	−2½
29¼	18⅝	Whitehl			35	89	19¼	d18¼	18⅜	1⅛
38¼	28½	Whittak	1	3.3	9	1788	32½	30½	30½	−3⅝
21½	13¾	Wickesn			6	2491	13¾	d11¼	12¾	1⅜
10⅞	7⅜	Wick wt			24	7	d	6½	6½	−1
33⅜	24½	Wick pfA	2.50	11.		51	23½	d23⅛	23⅛	1⅜
12¾	5¼	Wilfred	.12	2.2	22	44	5⅝	5⅝	5⅝	⅛
28⅝	16⅛	WillcG s	.22	1.3	14	383	20¼	17	17¼	−4
37⅞	17¾	WillmsL	.40	5.1		908	30	26⅝	27⅝	−3⅞
8½	4½	WilshrO			49	43	6¾	6⅝	6⅝	½
17¾	6⅛	Winchl n	.90e	16.	180	6	d	5⅝	5¾	−⅝
6	4	Winjak	.16e	3.9		49	4⅛	4	4⅛	+⅛
59	42½	WinDix	1.86	4.3	16	454	44	43	43	−2
15⅞	9	Winnbg	.40	4.8	12	938	10	d	8⅛	8⅝
4	2¾	Winner				30	2¾	2¾	2¾	
28⅛	22¾	WisEn s	1.44	6.1	10	340	25¼	23¼	23½	−2
54¾	42½	WiscPL	3.12	6.8	11	46	47½	46	46	−1¼
27⅝	21⅛	WisPS s	1.54	7.4	10	143	21⅝	d20⅝	20¾	1¼
47⅞	33½	Witco	1.12	3.3	12	245	34¼	d33¼	34¼	1
16½	8¾	WolvTc	.20	1.7	9	126	13⅛	11⅞	11⅞	−1¼
14	8¾	WolvrW			39	218	11⅛	10½	10⅞	¼
59⅝	37	Wlwth s	1.32	3.3	12	3899	41	39¾	40¼	2
9⅝	3¾	WrldCp				49	8⅞	8⅝	8¾	⅛
19½	14⅝	WrldVl				177	16½	d14¼	14⅝	−2½
64¼	44¼	Wrigly s	1.04	2.4	14	397	47⅛	d39	43	6
3⅞	1¾	Wurlitzr				32	2	1⅞	1⅞	⅛
21⅞	11⅛	WyleLb	.32	2.0	27	86	17	15¾	15¾	1⅜
30⅝	15	Wynns	.60	2.7	18	189	23½	22	22¼	2¼

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	53	Xerox	3	4.5	15	6840	67¼	63	67	−3⅛
58¼	53⅝	Xerox pf	5.45	10.		10	53⅞	d53¼	53¼	−¼
31½	22	XTRA	.64	2.7	19	157	25¼	23¼	24	−2
33⅞	16⅛	Yorkin			11	569	27	25¼	26¼	−1⅞
7¼	2¼	Zapata				468	4⅛	3⅞	4⅛	
37	21	Zayre	.40	1.7	9	4869	24	23	23⅞	−⅞
16⅛	11⅛	Zemex	.40	2.8	9	129	14⅝	14⅝	14⅝	−⅜
33⅝	18⅞	ZenithE			82	1568	21¼	19⅝	20½	−2⅜
13½	6¼	ZenLab				22956	d	4⅛	4⅞	−1⅜
25½	16¾	ZenNtl	.80	4.6	10	138	18½	d17½	17½	−1⅞
20⅝	13⅝	Zero	.36	2.4	15	210	16⅞	14½	14¾	−2⅜
30¾	16⅝	Zurmin s	.88	3.6	13	410	20¾	d17½	19	−1¾
10⅝	6¾	Zweig	.85e	7.1		2395	9¾	d	8⅝	9⅛ −¾

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3.00pm, October 19

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

FT correspondents assess the damage and implications of the day the bottom fell out of the markets

Bold bulls cling to faith despite bears' mighty swipe

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

THE WORLD's stock markets have not seen a day like yesterday in modern times. By the end of the European afternoon, with Wall Street down more than 500 points after last week's 236 point drop, one might have thought they had gone into a limitless spiral.

The collapse had frayed many nerves and tested technology to – and in some cases beyond – its limit.

On the London Stock Exchange's Automated Quotation System (Seaq) screen, the page for price changes was showing many leading stocks down 99p – it could not indicate greater falls. The window display at Bracken House, headquarters of the FT, suffered a similar problem.

The reaction of markets around the world to Wall Street's 108 point drop on Friday left many people stunned.

"We've got nothing to compare it with," said one young London analyst. "It's a freak, just like last week's hurricane."

Despite the hysteria suggested by the frantic marking down of prices, however, there appeared to be a remarkable absence of panic among European market analysts – particularly considering the magnitude of yesterday's falls.

There was quite heavy selling in a number of European markets by small investors, no doubt frightened by weekend press coverage of Wall Street. But some foreign investors – who would stand to gain from a dollar fall if they are dollar-based – were thought to be holding on to their investments.

"We're not worried," said one bold watcher of Continental markets. Though the chain reaction of price drops could go on for a little while, she felt that the markets will then represent "one of the best buying opportunities for a very long time."

"We have not given up on the bull market," said one UK analyst summarising the views of many others.

It is, of course, too soon to tell whether or not the stock price falls mean the end of the long worldwide bull market in equities, which has fuelled the trend toward the "globalisation" of stock markets. Many markets were strong and were due for a correction, but the suddenness of that correction could not have been predicted.

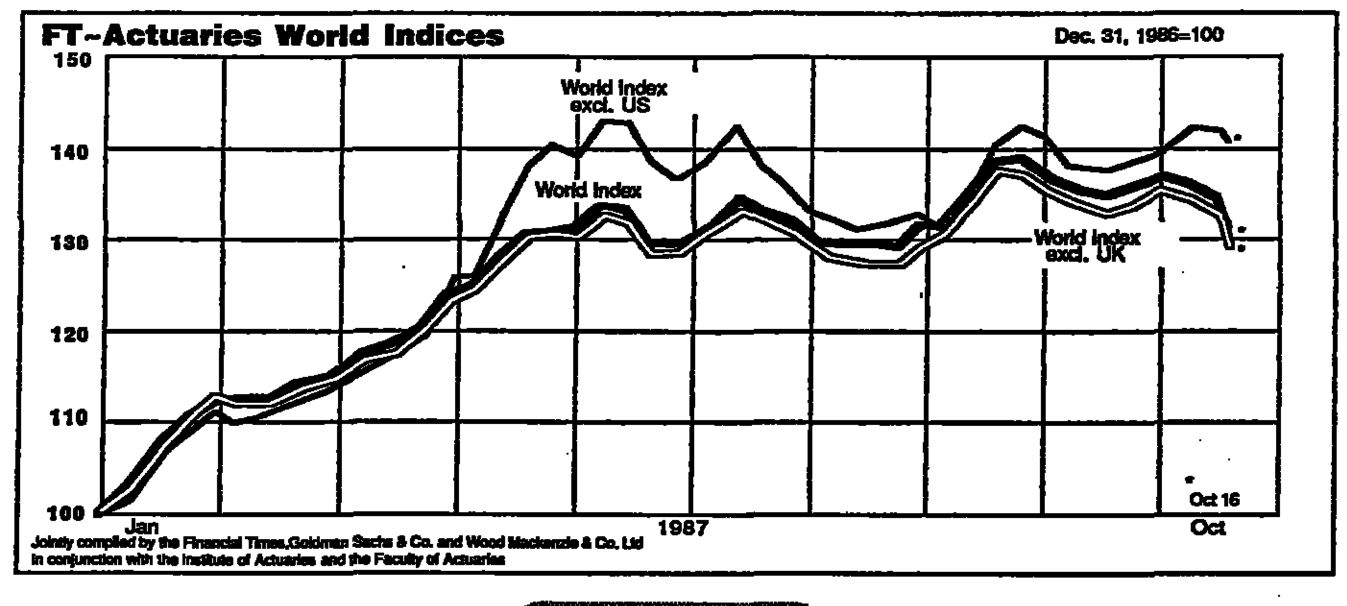
There remains a danger of a continued self-fuelling decline, some of yesterday's UK selling represented 'stoploss' orders triggered by computers, a phenomenon seen as increasing short-term volatility in the US market.

It is clear, however, that there has been a major change in sentiment in the US market, which analysts had already considered to be more overvalued than others. With interest rates rising inexorably on concerns – justified or not – about inflation, there are now fears that a recession will come next year, much sooner than had been previously forecast.

Ever since Mr Paul Volcker passed the Federal Reserve chairmanship to Mr Alan Greenspan, there have been underlying market fears about the Fed's determination to control inflation. His insistence that the inflation and trade outlook is good has left a feeling in the markets that credit policy was running out of control.

A recession in the US would have an impact on economies elsewhere. But though Wall Street and the state of the US economy have an inevitable knock-on effect on other markets, the fundamentals of the economic situation in the UK and elsewhere remained good, with economic growth and the corporate profits outlook healthy, analysts say.

"One can only rely on the good sense of investors to recognize that markets are cheap," said one.



Jointly compiled by the Financial Times, Goldman Sachs & Co. and Wood Mackenzie & Co. Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

AMERICA

Dow plummets in wave of frenzied selling

WALL STREET

A STUNNING collapse of stock prices, unprecendented in the history of Wall Street, rocked the US financial community yesterday, *writes Roderick Oram in New York.*

A selling frenzy swept throught the markets from the opening, indiscriminately scything more than 22 per cent off stock prices. The scale of the rout was almost double the 12.8 per cent fall on October 29 1929, the worst day of the stockmarket crash which preceded the Great Depression.

Credit markets, deeply troubled at the opening with bond prices falling almost two points in early trading, stabilised during the morning after the dollar found some respite from its sell-off against the yen and the Federal Reserve Board intervened heavily in the money markets, supplying reserves. By the end of the day the Treasury's long bond had risen to ⅜ up at 88$^{11}/_{32}$ to yield 10.069 per cent.

The Dow Jones Industrial Average closed down 508.32 points at 1,738.42 virtualy doubling its previous record fall in points terms in a day. All the broad market indices suffered as badly, even the over-the-counter index which is normally somewhat insulated from the futures arbitrage swings which affect big capitalisation stocks.

The New York Stock Exchange's volume record of 338.5m shares was comprehensively smashed with three hours still left to trade. By the close an astounding 604.8m shares had changed hands.

One of the starkest measures of the illiquidity of the market at the opening was the halt in trading of almost two-thirds of the Dow Industrial index stocks. It took the NYSE specialists, who make an orderly market in the stocks, almost two hours to generate sufficient buy orders by gradually lowering the indicated price to match the sell orders. Once a rough balance was met, trading started with the biggest stocks such as IBM instantly dropping nearly 10 per cent in value.

Once again futures and options and computer techniques to play them contributed heavily to the trading volume. "Humungous selling programmes helped drive down the market," one market analyst said.

The selling abated for a while in mid-morning and the Dow bounced back to a loss of only 100 points. But the upward move failed to convince investors and traders and the selling onslaught resumed. By the close the ratio of issues declining to rising was 1,981 to 40.

Just about the only stocks to buck the trend were golds which were underpinned by a soaring bullion price. Newmont Gold rose $3¾ to $39½. Newmont Mining, however, fell $9¼ to $36½, Battle Mountain Gold fell $2⅛ to $28⅛, Callahan Mining jumped $2½ to $32½ and Homestake lost only $⅝ to close at $43½.

Wall Street firms were deeply out of favour with investors who feared the markets' collapse could financially damage brokerage houses. Salomon Inc. lost $7¼ to $23½, Merrill Lynch fell $8⅞ to $25 Shearson Lehman shed $4⅞ to $20⅝, E.F. Hutton lost $6⅞ to $23¾.

Banks and other interest-rate sensitive stocks were also hard hit. Citicorp lost $15⅜ to $37⅝, Chase Manhattan gave up $8⅜ to $28, Manufacturers Hanover fell $9½ to $27, CIGNA $12 to $52, Aetna lost $9 to $50 and American Express fell $8⅝ to $21⅜.

Reports of higher quarterly profits were deemed irrelevant in the rout and offered no support to battered stocks. Unisys dropped $7¼ to $30⅝, J.P. Morgan fell $13⅞ to $27⅜, and Allied Signal collapsed by $11⅜ to $28.

Computer hardware and software and semiconductor stocks were savaged. Digital Equipment shed $42½ to $129⅝, Lotus Development and Microsoft both reported higher earnings but slumped $6 to $26¼ and $19½ to $45¼. Hewlett-Packard fell $12⅛ to $47⅝.

AT&T fell $6¼ to $23⅜ on flat profits, MCI, one of its long-distance telephone competitors, fell $2½ to $34⅝ on a halving of operating profits.

Some takeover stocks, already battered by suggestions from Congress about the closing of takeover-related tax loopholes, suffered further yesterday. Telex, which deferred a decision on a $65-a-share bid from Mr Asher Edelman, fell $16⅞ to $45⅝.

Credit markets opened sharply lower after heavy overnight sell-offs abroad. At its worst, the benchmark 8.75 per cent Treasury long bond was off almost two points during the morning but some short covering helped halve the loss. By the close, however, it was up nearly two points at 89$^{29}/_{32}$ to yield 9.949 per cent.

Short-term interest, particularly three-month Treasury bills, edged lower as money flowed into top-grade short-term instruments, particularly from investors cashing in their stocks. The Fed Funds rate was steady at about 7½ per cent.

Bonds gained some comfort from the relative stability of the dollar against the yen. The US currency plunged several pfennigs against the D-mark, however, because of comments by Mr James Baker, Treasury Secretary, at the weekend about the US allowing the dollar to drift lower as a protest against tighter monetary policy in West Germany.

The Treasury's announcement of its refunding plans at the November auction is just over a week away so the attitude of foreign investors to dollar-denominated securities in coming days will be crucial.

Canada down more than 300

NOT EVEN its traditionally heavy concentration of resource issues could prevent the Toronto stock market from plummeting a staggering 8.5 per cent or more than 300 points yesterday in frenzied trading, *writes David Owen in Toronto.*

By 4pm, the benchmark TSE-300 composite index had fallen a record 308.69 at 3291.89 on extraordinarily heavy volume. Trading was dominated by computers automatically selling stocks into markets with few buyers.

Not surprisingly, all fourteen stock group sub-indices lost ground, with real estate and construction initially leading the way. Even golds which had initially climbed on the back of higher bullion prices, slumped during the afternoon.

"The market has fallen victim to the vicious selling that has been going on elsewhere", commented one analyst with McLeod Young Weir. "Computer sell programmes are creating a domino effect," he added.

Other Canadian markets experienced similar record downturns, with Montreal tumbling 126.44 to 1635.59 and Vancouver off 92.13 from Friday's close of 1632.73 in morning trading.

Canadian finance minister, Michael Wilson, meanwhile, ruled out government intervention in the stock markets. "It is important that we don't get overly preoccupied with what is happening there", he said.

The Key Market Monitors have been dropped from today's edition to accommodate more reports on the sharp falls in markets around the world. Market indices, lists of the most active stocks and London chief price changes can be found on Page 37.

EUROPE

London suffers biggest ever fall

THE UK stock market suffered a dramatic setback yesterday, recording by far its largest one-day fall as it joined other European bourses in reacting to fears that the latest collapse on Wall Street presages the end of the bull market of the 80s, *writes Terry Byland in London.*

The FT-SE 100 index fell by more than 300 points at its worst level but rallied by more than 50 points as Wall Street tried to stage a partial recovery from its opening loss. At the close, the FT-SE 100 index was 249.6 down at 2,052.3.

The FT Ordinary index, at 1,629.2, lost more than 10 per cent, far outstripping the previous record loss of 7.1 per cent on March 1, 1974. More than 2,000 shares recorded falls on the session, against only 75 with gains.

At mid-session, amid reports of redemptions by unit trust (mutual fund) holders, equities fell into a "vicious pandemonium", according to one trader. Marketmakers were briefly unable to update their prices and the trading mood was described as "quite frightening".

Selling volume was fairly heavy, but there were signs that the shakeout reflected technical factors as well as more deeply seated investment decisions.

The setback came after a fortnight in which the London market had successfully resisted the increasingly bearish pressures from New York and other world centres. Confidence in the outlook for the domestic economy has checked selling of equities, while British Government bonds have remained firm, as a strong pound has sustained belief that UK interest rates will resist upward pressures.

The big investment funds made little attempt to deal in yesterday's turbulent marketplace, but several fund managers expressed relative confidence despite the market's slide.

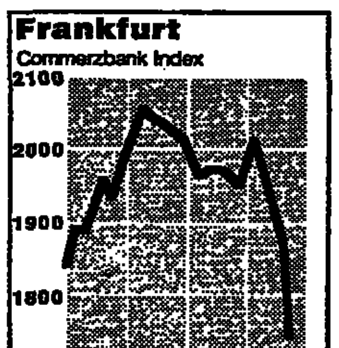
"It's hard to see anything fundamentally wrong with the UK economy or market at present," said an investment manager for a major insurance group. "The institutions should be out there buying during a free-fall like this."

The London market faces important tests today, when the UK money supply and bank lending statistics are expected, and on Friday when the UK trade figures are due.

There were widespread losses in bonds yesterday as the market followed New York. Long-dated issues showed net falls of 1¾ points. Details, Page 36

'Panic' grips Frankfurt and Paris

INVESTORS WERE licking their wounds yesterday after a record plunge in West German stocks and the worst day's trading in France that many people had experienced, *writes Andrew Fisher in Frankfurt and George Graham in Paris.*



Analysts in Frankfurt were generally gloomy about the prospects of a marked short-term recovery in the German market. Despite the resilience shown by much of German industry to the stronger D-Mark this year, shares were expected to remain depressed in the wake of international reaction to the US market's collapse.

The widely-watched Commerzbank index dropped by 7 per cent to 1,744.1 points. This was 132.5 points down on Friday, more than any previous drop. "It was just panic," said Mrs Renate Braun-Reiber, an analyst with Metzler, the Frankfurt bank.

All major shares showed large falls, with Daimler-Benz losing DM90 to close at DM923, Deutsche Bank down DM75 to DM565, and Siemens down DM49.50 to DM590. Because of the heavy volume of trading, with large-scale selling by foreign investors, the Frankfurt stock exchange stayed open an extra half hour.

Citibank AG may have to revise downwards its 6 per cent estimate of German corporate earnings growth for 1988, said Mr Adrian Brundrett, an analyst with the Frankfurt subsidiary of Citicorp of the US. "It seems the dollar decline will continue, since there's no sign of a let-up in the US trade deficit. It's the only way to get the books balanced."

Frankfurt's share price decline was even stronger when measured by the daily index of Börsen-Zeitung, the local financial daily. This showed a 9 per cent fall to 355 points.

Yesterday's trend puts another question mark over the proposed sale of the remaining 16 per cent government stake in the Volkswagen motor concern. Mr Gerhard Stoltenberg, the Finance Minister, hoped to raise some DM1.8bn next month through the sale, having originally said it would be delayed to next year because of the currency fraud at VW. But yesterday VW's share price slid by DM49.50 to DM315.

In Paris, a 9.7 per cent drop in the share price index was the worst one-day fall since 1981, when the election of a socialist president, Mr François Mitterrand, sparked off a 14 per cent decline in share prices.

"I have been in this business for 20 years and I have never seen a fall as brutal as this. It will certainly leave some scars," said Mr Alain Guillou, head of equities at Fimagest, the fund management house.

"We are all on panic pricing today," said Mr Bertrand Godbille, director of fund management at Hottinguer, the private bankers.

Foreign investors, who have not so far been heavy sellers in the French market, may soon have to change tack, as many UK unit trusts specialising in Europe are suffering heavy withdrawals.

"There are good fundamental buying opportunities, but no-one is going to take them for fear that the fall might snowball," Mr Godbille said.

At Safe, the research house owned by the Paribas banking group, the mood was less pessimistic. "We do not believe in a world crisis, a remake of 1929. This is an adjustment which is shaking up the market in an extraordinary way, but it should find a floor in the current zone."

French market analysts draw some comfort from the fact that they are not suffering alone, but they note that neither France's economy nor its currency have any of the refuge characteristics which might help insulate Paris.

"At the moment it is best to sell what you can. If you hesitate too long then you are failing to buy the best value that is available at the moment, which is cash," said Mr Guillou of Fimagest.

Gales of anxiety sweep rest of Europe

OTHER EUROPEAN equity markets were routed in fierce and broad selling, with some quality issues losing a fifth or more of their market values, *writes Our Markets Staff.*

Brussels plunged in its worst session since market records began, with some blue chips marking record losses in selling accelerated by the King's acceptance of Prime Minister Martens' resignation. Trading was extended by 45 minutes to allow brokers to cope with the deluge of sell orders.

The cash market index fell 504.44 to 4,303.42. Further selling is expected today on the opening of a new fortnightly trading period.

Many recent favourites fared worst. Solvay plummetted BFr4,050, or 27.6 per cent, to BFr10,650. Fellow chemical UCB sank BFr2,090 to a year's low of BFr8,010, a 22 per cent fall. Leading blue chip Petrofina gave up BFr1,925 to BFr10,275. In holdings, Réserve, the share of Société Générale de Belgique, shed BFr520 to BFr3,000 and Groupe Bruxelles Lambert dived BFr560 to BFr3,250. Sofina lost BFr1,150 to BFr12,250.

Amsterdam plunged in savage selling which sliced 13 per cent off the blue chip CBS all-share index, leaving it down 12.3 at 82.7 – the lowest close since its inception in 1985. The weighted ANP-CBS general index lost 22.7 to 268.0.

Only two issues rose as 223 fell, with 15 shares unchanged. Internationals led the rout. Market leader Royal Dutch saw Fl 25.30 chopped from its price to Fl 224, Akzo slumped Fl 20.50 to Fl 142 and Unilever tumbled Fl 18.10 to Fl 107, each having rallied slightly before the close. Philips gave up Fl 5.80 to Fl 42.40.

Banks were down sharply, with ABN off Fl 2.70 at Fl 40 and Amro off Fl 8.30 at Fl 69. Brewer Heineken closed at Fl 152, a loss of Fl 13.50, after hitting a day's low of Fl 133. Publisher Elsevier was Fl 9 down at Fl 45.

Zurich also dived in frantic selling which stripped some 11 per cent from the value of stocks. The all-share index fell 127.2 to 1,031.4 in trade which had to be extended by almost two hours to allow dealers to clear their orders.

No sector survived the bears. Among the worst hit, insurers Swiss Ré slumped SFr1,900 to SFr17,200 and Zurich SFr900 to SFr6,200. In banks, Union Bank fell SFr715 to SFr4,100 and Swiss Bank SFr54 to SFr455. Crédit Suisse was off SFr390 to SFr3,000.

Brown Boveri dropped SFr625 to SFr3,350 and Oerlikon Bührle SFr145 to SFr1,480. Ciba-Geigy led chemicals down, by SFr540 to SFr3,350 and Sandoz was SFr2,000 down at SFr13,500.

Oslo also saw its biggest ever single session fall, with the all-share index losing 32.75 to 393.07 in a wide sell-off.

Norsk Data A shares plunged NKr55 to NKr180, a fall worsened by its prediction of lower than previously forecast pre-tax profits for 1987. Its B shares lost NKr48 to NKr180.

Norsk Hydro fell NKr13.50 to NKr238 and Hafslund NKr25 to NKr582.50 Orkla Borregaard dived NKr27.50 to NKr545. Higher spot crude prices did little for oils, with Saga Petroleum NKr9 off at NKr144.

Stockholm suffered a record session's fall with the Affarsvaeriden General index losing 6.4 per cent to 904.3, its lowest level since August 27 this year. Of the top 16 blue chips, 15 recorded falls of more than SKr20. Saab alone moderated its losses with a SKr6 dip to SKr256. Volvo, though, crashed SKr24 to SKr388.

Madrid succumbed to the European sell-off, falling sharply across the board. Banks, construction and chemical issues leading the decline. Telefonica gave up 5.75 per cent of nominal market value to 210 percentage points.

Milan dived as local and overseas investors sold heavily. The MIB index at 853 was 6.26 per cent lower, a daily fall surpassed only by the 9.17 per cent drop of June 9, 1986.

Helsinki was knocked fom record levels by the gale of selling. The Unitas all-share index closed down 25.2 at 856.3.

ASIA

Tokyo 'resilient' as Hong Kong nosedives

TOKYO

THE NIKKEI average suffered its sixth largest fall in absolute terms yesterday but the decline was much smaller than many investors had feared, *writes Stefan Wagstyl in Tokyo.*

The market's performance left stockbrokers saying that Tokyo had shown "great resilience."

The Nikkei lost 620.18 points on the day to close at 25,746.56. In percentage terms, the market ended only 2.4 per cent down on the day and 3.4 per cent off its all-time peak, reached last Wednesday.

"The situation in Tokyo is quite different from New York," commented Nomura, the largest Japanese securities company.

Mr George Nimmo, head of sales at Vickers da Costa, subsidiary of Citicorp, the US bank, said: "I think Tokyo will stand out like a beacon today."

Stockbrokers said Friday's heavy losses on Wall Street had been the main reason for the fall in Tokyo, coupled with a rise in the yen on the foreign exchange markets yesterday, which hit exporting companies' stocks.

However, investors have been reassured by expectations of continuing low inflation and good corporate results in the October-November reporting season.

Japanese institutional investors see Tokyo as a much safer home for their funds than New York. Mr Noriaki Suzuki, manager of international bond investment at Norinchukin Bank, said: "Worldwide interest rates are rising so in those circumstances we are not able to increase our foreign investments."

● Volume in Tokyo shrank from Friday's 768m to 620m shares as institutional investors moved to the sidelines, *Shigeo Nishiwaki of Jiji Press adds.*

Officials at big securities firms forecast the market would slip further if New York stocks continue falling.

Some investors and major securities companies dumped part of their holdings from the outset. But selling was braked towards the close on speculative buying of shipping and electric railways stocks.

Nippon Steel, the most active stock, with 56.92m shares traded, closed Y11 down at Y439 after dropping Y19. Mitsubishi Heavy Industries and Nippon Kokan fell Y19 each to Y709 and Y341.

High-tech issues were hurt on a wide front by the yen's upsurge: Fujitsu lost Y80 to Y1,400, Matsushita Electric Industrial Y180 to Y2,470 and Sony Y290 to Y4,950.

HONG KONG

SOME HK$70bn was wiped off the capitalisation of Hong Kong's share market yesterday as the Hang Seng index slumped by almost 11 per cent, *writes David Dodwell in Hong Kong.* The index closed at 3,362.39, a 420.81 point fall on the day and more than twice the previous record fall recorded in 1973.

Brokers said second and third line stocks, which are not reflected in the Hang Seng index, tumbled more precipitously, with falls of between 20 and 25 per cent said to be widespread. Trading volume was HK$4.2bn against HK$3.7bn on Friday.

Trading in Hang Seng index futures contracts on Hong Kong's futures exchange was suspended three times over the day as falls exceeded the daily trading limits set by the exchange's market committee.

Two factors also artificially protected the Hang Seng index yesterday. First, there was continuing evidence that an anonymous group of buyers were mopping up shares in Hongkong Land when its shares weakened.

Hongkong Land is an important constituent of the Hang Seng index, and its strength helped moderate the index's fall. Its stock closed down 70 cents at HK$11 in volume of HK$1.2bn – about a quarter of the day's total.

Second, trading in Hongkong Telephone shares remained suspended as details were unveiled of a corporate reorganisation involving the Hong Kong subsidiary of Cable and Wireless. Hongkong Telephone accounts for some 7 per cent of the Hang Seng index, so a strong fall in this stock when trading resumes on Wednesday could create fresh weakness.

AUSTRALIA

SUCH IS the time difference between New York and Wellington or Sydney that investors in New Zealand and Australia only realised the implications of Wall Street's "Black Friday" late on Saturday, *writes Chris Sherwell in Sydney.*

As a result, the story of the US market's plunge was still strong enough to splash Australia's only quality Sunday newspaper.

The selling began as soon as the markets opened yesterday and barely stopped all day, despite the confident – not to say hopeful – predictions of some brokers that the US reversal was merely a temporary correction.

The Australian market suffered a record one-day point fall, with the widely-watched All Ordinaries index plunging 80.4 points, or 3.7 per cent, to 2,064.2.

The All Industrials index fell further, dropping 154 points or 4.8 per cent, and the All Resources index declined 23.9 points to 1,316. A rise in the bullion price helped gold shares, however, and the gold index rose 8.6 to 3,674.7.

SINGAPORE

THE COMBINATION of reaction to Wall Street's fall and rumours of heightened racial tensions in neighbouring Malaysia drove the Singapore market down 12 per cent, with the Straits Times industrial index closing at 1,223.28, a fall of 169.14, *writes Roger Matthews in Singapore.*

Selling was across the board, with DBS Bank off S$2.90 at S$14 and Singapore Airlines shedding S$2.10 to S$12.10.

Brokers attributed much of the selling to overseas fund managers who were then joined by local investors. They stressed that domestic factors did not warrant such a precipitous fall, with company profitability rising and the Government expected to announce shortly a further rise in the growth rate during the third quarter.

SOUTH AFRICA

A CAUTIOUS Johannesburg stock exchange was one of the few world markets to show any strength. As gold surged through $480 an ounce, blue chip gold shares rose by between 5 per cent and 10 per cent, *writes Jim Jones in Johannesburg.*

Many of Johannesburg's brokers, leaving work yesterday evening, were asking whether their market could long avoid the worldwide shake-out. "Look at De Beers," one said. "It could be in trouble if foreigners feel they are less wealthy and avoid buying luxuries like diamonds."

Another said he wanted to see gold consolidate above present levels before he would believe the gold share market was set for a sustainable rise. Some operators were taken aback by an apparent lack of foreign interest.

Among golds, Vaal Reefs jumped R22 to R467 and Randfontein rose R7 to R450. Platinums were up but De Beers lost 75 cents to R5.50.